

NOMINATION—DEPARTMENT OF COMMERCE

HEARING BEFORE THE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

NOMINATION OF

C. WILLIAM VERITY, JR., TO BE SECRETARY, DEPARTMENT OF
COMMERCE

SEPTEMBER 10, 1987

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C. WILLIAM VERITY, JR., TO BE THE SECRETARY, DEPARTMENT OF COMMERCE

THURSDAY, SEPTEMBER 10, 1987

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The committee met, pursuant to notice, at 10:07 a.m., in room SR-253, Russell Senate Office Building, Hon. Ernest F. Hollings (chairman of the committee) presiding.

Staff members assigned to this hearing: David St. John, professional staff member, and Macky Ayers, minority professional staff member.

OPENING STATEMENT BY THE CHAIRMAN

The CHAIRMAN. The committee will please come to order.

In opening the hearings on the confirmation of the Honorable C. William Verity for the Secretary of Commerce post, I want to include in the record a letter from the General Counsel of the Department of Commerce to the committee and also a letter from Mr. Verity himself dated September 4 to the Office of Government Ethics. They will be a part of the record.¹

This morning the Commerce Committee convenes to hear testimony on the nomination of C. William Verity to be Secretary of Commerce.

We return to Washington from the August recess with the thoughts of Mac Baldrige still very much in mind. In an administration which has very little to show for itself on international trade and the preservation of America's industrial might, Mac provided some of the few bright spots. He understood many of the problems American firms are experiencing in the global marketplace. And he recognized that government does indeed have a role to play as we seek to nurture the development of new technologies and win the world economic competition. We will miss him.

There are more than 16 months remaining in this administration. And while some may view this as a very short period of time and that Mr. Verity would be little more than a caretaker in his new post, this Committee sees things quite differently.

Sixteen months is plenty of time for our ever-increasing annual trade deficit to climb another \$20 billion or even \$30 billion. Sixteen months can see the export of another half-million American jobs and the further deterioration of our industrial capacity. In

¹ The letters have been retained in the Committee files.

other words, time is short. Sometime during the next 16 months, we could very well slip so far into this economic abyss that we'll never fully recover.

Clearly, now is the time to act to preserve and enhance our industrial capacity and our world technological leadership. The trade bill now before the conference committee is a very important step in this direction—but it is only a step. We need a new attitude here in Washington. We need to recognize the realities of world trade and face some of the obvious facts about doing business in this new global marketplace. And fact number one is that there is no such thing as free enterprise in world trade. The reality is government-to-government enterprise. We've been in a trade war for years, and our government has refused to get in there and compete.

We must start competing. We must begin enforcing some of the trade laws already on our books. We must recognize that government can have a role. And we must initiate a sound fiscal policy that reduces these outrageous budget deficits that have driven up our dollar on the international markets, thus making our goods and services too expensive and our trade deficits too high.

The Secretary of Commerce can be a vital player in the administration on these and many other issues.

That being the case, this Committee views the Verity nomination with the utmost gravity. You can be sure that we will carefully review his qualifications and his views on the important issues which would be within his jurisdiction if he is confirmed as Secretary of Commerce.

Mr. Verity's resume is impressive. He brings to us solid credentials as a businessman. His experience as top executive at a major steel company has given him front line experience in meeting the challenges which now face the whole of American industry. I welcome Mr. Verity and look forward to hearing his views on how we're going to meet these challenges.

I also note that Mr. Verity is a lifelong resident of Ohio who has recently moved to South Carolina. Apparently, it has taken his entire 71 years to discover where paradise really is. Better late than never.

We are pleased this morning to have our colleagues, my distinguished senior colleague from South Carolina, the Senator from Ohio, John Glenn, and Buz Lukens, who is coming along. But for the moment we can commence at this particular time with Senator Thurmond. We welcome you and would be delighted to hear from you at this time.

STATEMENT OF HON. STROM THURMOND, U.S. SENATOR FROM SOUTH CAROLINA

Senator THURMOND. Thank you very much, Mr. Chairman and members of the committee.

I would like to thank you and the distinguished members of this committee for giving me the opportunity to testify today on behalf of Mr. C. William Verity, the President's nominee to be the new Secretary of Commerce.

Regarding qualifications to serve as Secretary of Commerce, his record is most distinguished. Mr. Verity worked with Armco Steel

for 35 years, rising through the ranks to become the chairman of the board and its chief executive officer. He served in the United States Navy during World War II. Regarding his formal education, Mr. Verity is a graduate of Yale University and holds nine honorary degrees.

During his tenure with Armco, Mr. Verity was a member of many distinguished organizations dedicated to the improvement of the business climate in the United States. He was appointed by the President to serve as chairman of the Task Force on Private Sector Initiatives. He also served as chairman of the United States Chamber of Commerce.

Further, Mr. Verity has dedicated his time to educational institutions. He served as a trustee of the Colgate Darden Graduate School of Business at the University of Virginia. He is a trustee of the Phillips Exeter Academy and an honorary trustee of the University of Dayton.

In summary, Mr. Verity's credentials are impeccable and he has taken an active interest in American business and education throughout his life.

More importantly, he has recently displayed the good sense to move to my home State of South Carolina, and that's enough to warrant you to confirm him right off.

And Mr. Verity now calls the lovely town of Beaufort, South Carolina his permanent home.

Mr. Brantley Harvey, Jr., former Lieutenant Governor of South Carolina, and Mr. Frederick Dent, President of Mayfair Mills in Arcadia South Carolina and a former Secretary of Commerce, have contacted me to express their support for Mr. Verity. I ask that copies of their letters be inserted into the record as included in my testimony.

The CHAIRMAN. They'll be included.

Senator THURMOND. During the August recess, I had the pleasure of meeting with Mr. Verity to discuss his nomination and his views on trade. As the members of this committee are aware, if the current pace of the trade deficit increases, 1987 will be another record year for the American trade deficit.

I discussed this problem with Mr. Verity and the need to improve our competitive position worldwide. I am confident that Mr. Verity will respond to the needs of American industries, especially those like the textile industry that have been hard hit by foreign imports. I believe he will make a diligent effort to reduce the massive trade deficit we currently face.

Furthermore, I have been assured by Mr. Verity that he is opposed to any trade with the Soviet Union that is not beneficial to the United States or that involves strategic materials which could pose a threat to our national security. I urge the committee to expedite the nomination of Mr. Verity to be Secretary of Commerce.

And, Mr. Chairman, I want to thank you again for the opportunity to testify here today in behalf of Mr. Verity.

The CHAIRMAN. We thank you very much, Senator Thurmond. Senator Glenn.

STATEMENT OF HON. JOHN GLENN, U.S. SENATOR FROM OHIO

Senator GLENN. Thank you, Mr. Chairman. I am very proud to introduce a fellow Ohioan and national business leader, William Verity, whom the President has chosen to be our next Secretary of Commerce.

I also would point out that members of Mr. Verity's family are in the audience here, back in these first two rows. And we particularly want to welcome the grandchildren, Will, Jed, Victoria and Jonathan, here this morning with us. I'm particularly glad to see them come in. Would the family stand up so we can see the family that is with us here this morning.

The CHAIRMAN. Very good.

Senator GLENN. I don't know whether there is any cheering here this morning or not, but he brought his own group with him. That shows he's a smart man to begin with.

Mr. Verity comes with a very distinguished background in business affairs and public service. He was chairman of Armco, one of America's leading corporations, Middletown, Ohio. He was also the leader of the President's Task Force on Private Sector Initiatives, and he has served as chairman of the U.S. Chamber of Commerce, which of course represents all aspects of business. He was co-chairman of the US/USSR Trade and Economic Council, and a member of the Advisory Board of the President's Task Force on Private Sector Initiatives.

In all these capacities, Mr. Chairman, he has come face to face with the big buzz word that we talk about these days; that's "competitiveness. That's the magic word these days. And he has dealt extensively with the issues of international competitiveness and economic security that characterize the problems facing American business today.

At a time when we face such extraordinary challenges in international trade, and when we have an omnibus trade bill in markup here on Capitol Hill, I am pleased to see the President has named a person of Bill Verity's stature and experience to help carry out the administration's role in developing U.S. international economic policy.

Now, as has already been mentioned, Bill Verity has the good judgment to have spent his life as a resident of only two states, my state and your state, outside of a stint in the Navy. And I know that his experience in the industrial north and in the progressive south, two quite different areas in terms of their industrial development, will stand him in very good stead as he takes on his new responsibilities.

And these responsibilities are, indeed, awesome. In the past decade American businesses had to adapt to an entirely new way of doing business. Corporations, especially manufacturing corporations, must now look upon the world as their market, must adopt new technologies and must develop new modes of management for these technologies.

Now, these are all areas in which Bill Verity has had a lifetime of experience. And I think the nomination shows that the President does want American manufacturing and our manufacturing base to be as viable, as competitive, as it has always been. And

we'll need extraordinary leadership from both government and the business community if the promise of a broad-based competitive manufacturing sector in this country is to be realized.

The person at the helm of the Commerce Department will have a critical role. In Bill Verity, Mr. Chairman, you have a nationally recognized businessman whose position of authority in the private sector will facilitate the task of developing government leadership.

One of the areas where I believe that leadership is most needed is that of technology. It's an axiom of modern life that we are the ones who have the best basic research, but it's the Japanese, the Taiwanese, the Koreans who have been piling up the trade surpluses. And regrettably, many imported products incorporate superior product and process technologies to what is produced here in the United States.

We have worked closely with Mac Baldrige over the past couple of years on both the committees that we're on in trying to work out some of the ways of getting better technology transfer in the industry and making use of our research. And we want to continue working in that direction with our new Secretary of Commerce.

I know the committee will want to discuss with Bill Verity his views on trade and competitiveness, export of technology, and other issues facing the Department of Commerce. Some of these areas are controversial, and there is room for disagreement on individual points.

But I know that you will find Bill Verity to be a very candid, straightforward, and forceful witness on these issues. That's what he was known for as the chairman of the Chamber of Commerce and in his business dealings also—and he will bring these useful qualities to the job for which he has been nominated. I am very pleased the President has chosen a son of Ohio for this important post, and I'm most happy to recommend Bill Verity to this committee.

Thank you, Mr. Chairman.

The CHAIRMAN. We thank you, Senator Glenn.

We're honored to have our colleague from the House, Congressman Lukens. Buz.

STATEMENT OF HON. DONALD E. LUKENS, U.S. REPRESENTATIVE FROM OHIO

Mr. LUKENS. Mr. Chairman, members of the committee, I am delighted to be here, and I want to say very briefly I have no prepared remarks, but certainly not out of a lack of respect and 100 percent endorsement for my good friend and long-time friend, Bill Verity, from Middletown, Ohio.

I share both Senator Thurmond's and Senator Glenn's enthusiasm for his nomination and wish to inform the committee of two points. I know that you have been covering his background here this morning. But I would like to throw two things out of which I'm very aware and am very familiar.

Bill Verity I've known for over 25 years, and I know of no person in the American industry that serves as a greater bond between labor and management than Bill Verity. I think that's a critical point that has to be brought out.

And number two, there is no one in America, I believe, that could step into that job more easily and more convincingly and with more knowledge and experience than the man you are considering today. And I would sincerely hope that this committee would give it—I know you will—speedy consideration and get on with the job because if anyone can continue in a smooth manner, it would be Bill Verity.

The CHAIRMAN. We thank you very much. We are indebted at the committee here for the presentation of our distinguished colleagues.

Are there any questions by any members of the committee?

[No response.]

I know they want to be excused because they have other duties at hand.

Before we commence then with Mr. Verity's testimony itself, let me note that we have, oh, some 9 or 10 of us. We probably ought to use that 5-minute rule, beginning with me. I am going to yield to Senator Danforth after myself, and then begin with the order of appearance: Senators McCain, Packwood, Rockefeller, Wilson, Riegle, Bentsen, and Breaux.

Mr. Verity, we welcome you to the committee, and we look forward to working with you. We would be delighted to hear from you now at this time.

[The biographical sketch follows:]

(PRINT NAME, ADDRESS, PHONE NUMBER, AND DATE OF BIRTH)
 NAME: VERITY, WILLIAM, JR.
 ADDRESS: 120 Spanish Point Dr.
 PHONE: 252-3902
 DATE OF BIRTH: January 26, 1917
 (PRINT NAME, ADDRESS, PHONE NUMBER, AND DATE OF BIRTH)
 NAME: VERITY, WILLIAM, JR.
 ADDRESS: 120 Spanish Point Dr.
 PHONE: 252-3902
 DATE OF BIRTH: January 26, 1917

United States Senate

COMMITTEE ON COMMERCE, SCIENCE
 AND TRANSPORTATION
 WASHINGTON, DC 20510-6125

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

(If more space is needed, please use attached REMARKS sheet)

A. BIOGRAPHICAL DATA

1. Name: Verity (Last) Calvin (First) William, Jr. (Other)

Address: 120 Spanish Point Dr. (Current residence) Retired (Business)
Beaufort, S. C. 29902

2. Portion to which nominated: Secretary of Commerce Date of nomination: _____

3. Date of birth: January 26, 1917 (month) (day) (year) Place of birth: Middletown, Ohio

4. Marital status: Married Full name of spouse: Margaret Burnley Wymond Verity

5. Names and ages of children: Jonathan George Verity 44
Peggy Verity Power 38
William Wymond Verity 28

6. Education: Yale University (Institution) 1935-39 (Dates attended) B.A. (Degrees received) 1939 (Dates of degrees)

7. Employment record: List all positions held since college, including the title or description of job, name of employer, location of work, and dates of inclusive employment.

From	To	Name of employer	Address	Type of work
1940	1982	Armco, Inc.	Middletown, Ohio	Pres., Chairman & CEO
1940 (Feb. to Oct.)		Young & Rubicam Advertising Agency	375 Madison Ave., New York, N.Y.	Manager-Hapsburg House restaurant which Young Republicans owned. Address was 313 E. 55th St., New York, N.Y.

8. Government experience: List any experience in or direct association with Federal, State, or local governments including any advisory, consultative, honorary, or other part-time service or positions.

Member of Advisory Committee on Trade Negotiations November 11, 1975
(Reappointed March 3, 1978 and June 19, 1980)
National Voluntary Service Council April 2, 1982
President's Export Council 1973
President's Task Force on Private Sector Initiatives 1981 (Designated Chairman on December 1, 1981)
President's Advisory Council on Private Sector Initiatives 1985
Presidential Board of Advisors on Private Sector Initiatives 1986

9. Political affiliations: List all memberships and offices held in or financial contributions and services rendered to all political parties or election committees during the last 10 years.

1984- Reagan for President - Ohio
1981-82 Clarence Brown for Governor Committee - Ohio
1986 Kindness for Senate Committee
Served on various local and county election committees.

STATEMENT OF C. WILLIAM VERITY

Mr. VERITY. Thank you, Mr. Chairman. First, I would like to thank you for expediting this hearing and making it possible to have it this early in September. One of the main reasons is I have been unemployed for some time, and I would like to go to work, and I appreciate your doing this.

I would like to thank Senator Glenn and Senator Thurmond and Buz Lukens, an old friend, for the nice things they said.

Mr. Chairman, I have a short opening statement that I would like to make, and then we'll go on with the questions.

Mr. Chairman and members of the committee, I am honored to have this opportunity to appear before this committee as you consider my qualifications to be Secretary of Commerce, and I'm grateful to the President for his nomination.

As you might expect, Mr. Chairman, I have looked forward to this moment with mixed emotions, and my stomach tells me now that they are still mixed.

Over the past several weeks I have had an opportunity to learn a great deal about the Department of Commerce, its great diversity and the scope of its activities. I am awed by the size of the Department.

But one thing has stood out above all others. The caliber of the people I have met has been outstanding. It is a professional organization, and this is certainly to the credit of the late Mac Baldrige and reflects the commitment and capability of Deputy Secretary Brown.

I would like to assure you, Mr. Chairman, that if confirmed, I will represent to the best of my ability all components of the Department. And further, I look forward to working with Congress on the trade bill and other issues of concern to it.

I see as my principal mission bringing the resources of the Department to bear on the most crucial problems for U.S. business and our country which are making business competitive in the U.S. market and world market. Our national wellbeing, our standard of living, and our defense capability all ride on this priority issue.

With that, Mr. Chairman, that's my opening statement, and I welcome your questions.

The CHAIRMAN. Very good. We have two issues—and I can get to those in my later questioning or others perhaps will address them—one with respect to Soviet trade and the other with respect to your role as the head of Armco in the Reserve Mining case up there in Lake Superior. We have statements in part of the record that question your environmental stance with respect to Lake Superior on the one hand; on the other hand, there will be witnesses with respect to our trade with the Soviets.

I want to get to what Mac Baldrige and I and others were working on—Senator Glenn, myself, particularly Senator Danforth here.

And incidentally, you've got the former chairman of the Finance Committee and the present chairman of the Finance Committee in attendance today. And you will find they have perhaps more to do with trade in many instances than we do. And so, we all work together. And they are trying to get enforcement. And we in this

committee are trying to develop a more positive policy for the commercialization of our technology.

Specifically the Bureau of Standards, Mr. Verity, has got all kinds of talent and inventions and technologies that never have been commercialized. We found that with the Navy more recently in what we call the RAMP, the Rapid Acquisition of Manufactured Parts.

Stanford Research Institute, along with McDonnell-Douglas, Grumman, the South Carolina Research Authority, are building a facility. And as we had hammered it out with Secretary Baldrige—and I had understood then to have his support and the support of the Department of Commerce—part of the trade bill is converting that Bureau of Standards into a new National Institute of Technology, and that to be followed on with, at the same time, the development of regional research centers at various university campuses.

We have worked with Erich Bloch on the National Science Foundation and the science groups, the commercial groups. And we all feel that if we can get the research centers and then the extension services, if we can develop the National Institute of Technology within your own Department and provide some modicum of financial assistance for those kind of commercializations that are going on now with Bobby Inman down at the University of Texas in the computer three development on the one hand, or small business on the other, that we can begin to have America's industry develop its technology on-shore rather than overseas.

Please look into that. I don't know whether you have had an opportunity. Are you familiar at all what I'm chatting about here this morning?

Mr. VERITY. Yes, sir, I am, Mr. Chairman, not as familiar as I would like to be. But I have had the opportunity to visit the Bureau of Standards. I was very impressed with them and what they're doing. They are thankful for all your support over the years. And I think the idea of calling it the "National Institute of Technology," which is I understand in the Senate version of the trade bill, would be a very excellent way of getting across the message that we have got to find ways to utilize commercially our technology sooner. And that would be one of the main interests, if confirmed, for me to work on.

The CHAIRMAN. Secondly, please look at the National Oceans Policy Study with respect to the National Oceanic and Atmospheric Administration. I was part of the team with Dr. Julius Stratton which developed the Stratton Commission report within the Department of Commerce. And we married together the old environmental science services, the weather bureau and the oceans' endeavor, along with Coastal Zone Management into a 40,000-man complement in the Department of Commerce.

Now, out of frustration, the Senator from Connecticut, for example, Senator Weicker, and others who have been vitally interested in the development of the oceans have found it necessary to try to sever that entire endeavor from your Department into a separate agency. I doubt if that will occur. We'll have some hearings.

But it comes due to, I take, the budget crunches. The Secretary of Commerce looks at that 40,000 in NOAA. And they say, "well, that's a good place to cut." And as a result, we have been closing

down weather stations, cutting back to almost no effort whatsoever in the Coastal Zone Management program, and now we might lose the National Oceanic and Atmospheric Administration from your Department if the Congress so determines.

So, I wish you would look at that particular endeavor. Are you familiar with NOAA?

Mr. VERITY. Not as familiar, again, Mr. Chairman, as I would like to be. But I have spent considerable time with Tony Calio and his people. I know generally what they are trying to do.

Again, I think they are making great headway in trying to develop a better weather service through new technology. I think their work in the coastal areas and the ocean, the fisheries, is something that I need to know a lot more about. But I think that there is great emphasis in their work in the Department of Commerce, and I will look forward to making certain that that continues.

The CHAIRMAN. Very good, sir.

Senator DANFORTH. Mr. Verity, some people have apparently raised the issue of Jackson-Vanik with respect to your nomination and have expressed concern that somehow if you were confirmed and became Secretary of Commerce, Jackson-Vanik would be in jeopardy.

Maybe I don't understand the law, but I am not aware of any particular role that the Secretary of Commerce has with respect to Jackson-Vanik. But if you do have some role, are the fears of those who were concerned about Jackson-Vanik well-founded or are they not well-founded?

Mr. VERITY. I don't believe they are, Senator. I think the easiest thing to do is for me to tell you my view on Jackson-Vanik. And it is an item that I have worked with for many years.

Jackson-Vanik is the law of the land, and I intend to uphold that. And that's exactly what Mac Baldrige did. And it seems to me that it is a well-founded position.

But in addition to all that, Jackson-Vanik was put on the books because of the concern for human rights that is peculiar to America. And it was put into a trade bill as a means of trying to get the Soviets to increase emigration of Jews from the Soviet Union. I have supported that. I believe that it is an important instrument for the Jewish community to have as a lever to try to encourage the Soviet government to increase their emigration so that I shall support Jackson-Vanik.

I would like to qualify that by saying that I do believe that if the Soviet government would be willing to increase emigration by some amount—and I don't know what that amount is—I believe that the Jewish community in this country would be willing to work with the Congress on some modification, a waiver perhaps, which would make it possible to increase trade, which has been my interest, to try to increase trade between the Soviet Union and the United States.

So, I shall support Jackson-Vanik. I know why it was put there. I respect the reason it was put there. I believe that if we can get the Soviets' attention on this important subject, it would be possible to get a waiver which I think would be a very good thing.

Senator DANFORTH. Mr. Verity, later in the morning, Mr. Howard Phillips will express his view of your nomination. He op-

poses your nomination. And he believes that the policies that you stand for would economically strengthen the Soviet Union and that that is detrimental to the best interests of the United States.

I want to give you an opportunity to give your thoughts on this concern that has been expressed about you.

Mr. VERITY. Well, Senator, I have always felt that if you're going to make trade, it has to be beneficial to both parties. And so, any trade that we have with the Soviet Union has to be of mutual benefit.

I believe that trading with the Soviet Union is a good thing. I would like to say at the start that highly sensitive, high technology items that could in any way help the military of the Soviet Union have been something I have been concerned about for a long time, and have worked with the Commerce Department as a private citizen to try to strengthen our controls.

On the other hand, I have been critical of the Commerce Department and their control list because they had so many things on the control list originally which were easily available from our trading partners, our allies. And it seemed to me that why should we deprive American companies and employment in this country for something that was available elsewhere.

I am happy to tell you that over the last several years the Department of Commerce has done a very good job of eliminating many of those controls. They now are allowing American business to trade in the kind of things that everyone agrees from a humanitarian point of view we should trade, such things as food, agricultural equipment, farm machinery, food processing, medical equipment. And these are all things in which America has considerable know-how and the Russians would like to have them.

I also think, Senator, that the best way to solve the problem between the Soviet Union and the United States is not necessarily just trade—that is one of the major ones—but opening dialogues so that we have an opportunity to know each other better. Any way that we can build bridges I believe is a good thing to do. And Mr. Phillips, who you referred to, does not feel that way.

Senator DANFORTH. Thank you, sir.

The CHAIRMAN. Thank you.

Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman, and thank you, Mr. Verity, for appearing before the committee today. I would like to extend my congratulations along with the other members of the committee on your appointment. And I think your past record indicates that you are certainly well-qualified for this position, in particular your service on the President's Task Force on Private Sector Initiatives.

I was very interested in hearing your response to Senator Danforth's question concerning the Jackson-Vanik Amendment. Mr. Verity, in reviewing the record of your public statements, going back to the mid-1970s, you have consistently opposed the Jackson-Vanik Amendment and Stevenson Amendment and all legislation and public policies tying human rights to trade, as far as I can ascertain.

I think it is very important, Mr. Verity, that this committee and the Senate can have not only your commitment to uphold it, but

your commitment to actively involve yourself in the very important issue of emigration of Soviet Jewry. And I hope that you will be able to provide this committee with that commitment at this time.

Mr. VERITY. Well, Senator, I believe I can. I know there are stories about the fact that at times I have argued about the effectiveness of Jackson-Vanik. And I still have reservations about its effectiveness. I believe that a lot of the recent movement of Jewish emigration is because negotiations are occurring at various levels, which may be a more significant way to increase emigration.

But I have worked with the Jewish community very closely for the last 10 years. I have taken several messages concerning this problem to the leaders of the Soviet Union for two different Presidents. I can assure you that I have been interested in this for a long time. I have met with leaders in the Jewish community recently and assured them the same thing that I will assure you, that I will do all I can to help in this Jewish emigration problem.

Senator McCAIN. In 1984, Mr. Verity, you stated that the American companies are losing at least \$10 billion a year in sales to the Soviets due to U.S. trade restrictions. Do you still adhere to that position?

Mr. VERITY. Well, Senator, I think that figure was a little euphoric the way things worked out. It appeared in 1984 that there was a lessening of tensions and that there would be an opportunity for increased trade. I think the \$10 billion was wide of the mark. But the point of that remark was that we were losing literally billions of dollars of opportunity to trade and mostly because of controls that were on items that we felt should not be controlled.

The amount of business between the allies and the Soviet Union is about \$40 billion a year. The United States is getting less than a half a billion of that business. And I think that it is obvious that if we can have reasonable controls, which I think we now have, that we could substantially increase the amount of business that we could do with the Soviet Union and thereby increase jobs in this country.

Senator McCAIN. I agreed with your previous statement concerning the control list and the necessity for paring it down. And I would say that there could be an argument that perhaps our inability to control some of the very vital technology has been because of the enormous size of the list.

However, I hope you would agree, Mr. Verity, that there have been serious breaches of U.S. security and compromise of very important high technology equipment, such as the Toshiba case, Norwegian, and now recently I see in the media that perhaps the French were also involved in such activity.

What concrete steps would you take to try and protect the very serious and important high technology capability the United States has?

Mr. VERITY. Well, I would suggest, Senator, that the perhaps best way to do this is through COCOM. This is where our allies and the United States agree on what kind of items should be controlled for export to the Soviet Union.

I think the Toshiba case has certainly shown that there has been laxness there in the proper controls. And I read the same thing about the French, and I don't know enough about that.

But COCOM is the group. That's where we should put the controls and that is where we should strengthen that agency so that this can't happen again.

Senator McCAIN. Well, I would hope you would be able to perhaps supply for the record some of the specific actions you would recommend be taken by COCOM, given the fact that at least in these examples they have failed rather significantly it appears.

Mr. VERITY. Well, I was pleased, Senator to see what's happening in Japan where the Japanese parliament has taken steps to tighten up their controls there. I would hope that the other members of COCOM would all be aware of this and together we can tighten these controls.

Senator McCAIN. Thank you. Thank you, Mr. Chairman. I have additional questions I would like to submit.

The CHAIRMAN. They'll be included.

Senator Packwood.

Senator PACKWOOD. Mr. Verity, did I hear you correctly respond to Senator McCain? Did you oppose Jackson-Vanik at the time it passed?

Mr. VERITY. I wasn't in a position to oppose it.

The time I first knew about Jackson-Vanik was when I became interested in trade with the Soviet Union. I was one of the early directors appointed by the Commerce Department to carry out the policy of the United States to increase trade with the Soviet Union. The first time I realized that Jackson-Vanik was a problem with trade was in 1975 when the Soviets indicated that they didn't want any outside influence on their own national policy. And I learned that Jackson-Vanik and the Stevenson Amendment, which denied certain financing, were one of the principal problems so I really tried to find out what the Jewish community really wanted and to see how detrimental Jackson-Vanik was to trade.

And I really am still on a two point thing on this. We have got to support Jackson-Vanik, but we also must find a way to increase emigration out of the Soviet Union that is not tied to trade. There are better ways to do this.

Senator PACKWOOD. What are those? How do we increase emigration out of the Soviet Union?

Mr. VERITY. I think the direct negotiation that has occurred in recent months where Mr. Abrams and Mr. Brankman, two distinguished Jewish people, went to the Soviet Union, met with leaders over there, explained their interests and also the fact that all of America was interested in this subject. As a result of that, quite a few refuseniks were freed. That process is still in motion.

I honestly believe, Senator, that more can be done that way than by Jackson-Vanik, although I think that the Soviets through proper negotiation perhaps will raise the level of emigration to the point that maybe we can get a waiver on Jackson-Vanik.

Senator PACKWOOD. If you were advising the President then, you would advise him to suggest repeal of Jackson-Vanik.

Mr. VERITY. I would suggest to the President that he bring up the issue with General Secretary Gorbachev and explain this is

something that is very, very important to the United States, and would Gorbachev assure him, President Reagan, that he would look into the possible increase of emigration as a means of improving relationships between our two countries.

Senator PACKWOOD. I understand that. Would you recommend repeal of Jackson-Vanik? And if so, why or why not?

Mr. VERITY. I would have to say that Jackson-Vanik from a trade point of view in my opinion has been counterproductive. I would not recommend repeal of Jackson-Vanik because at this moment I know how important it is to the Jewish community and to many others that we keep human rights in front of the Soviet Union. It is a very important lever for us, and it is something that all the people of the United States are watching.

Senator PACKWOOD. Which is the important lever? Jackson-Vanik? The reason I'm confused I thought you said—

Mr. VERITY. Human rights is the lever.

Senator PACKWOOD. I thought you said it doesn't work very well and that a better way to increase emigration would be high level negotiations. Are you suggesting we keep Jackson-Vanik because of its symbolic value or that it means a great deal to the Jewish community? I'm not tracking your reasoning.

Mr. VERITY. I'm saying that Jackson-Vanik is the way that we can talk about human rights with the Soviet Union in a meaningful way. And this is the kind of thing that gets their attention.

Senator PACKWOOD. But the tradeoff is if you don't increase emigration, you do not get most favored nation or your trade is limited. That is Jackson-Vanik.

Mr. VERITY. That's right.

Senator PACKWOOD. So, it is effective.

Mr. VERITY. My interest, Senator, is to increase trade with the Soviet Union. And I believe that if we could resolve the Jewish emigration problem, that the Jewish community would be willing to make waivers in the Jackson-Vanik which would allow MFN to the Soviet Union.

Senator PACKWOOD. But you think it is sufficiently worthwhile to increase trade with the Soviet Union that we should not be using trade as a lever for emigration.

Mr. VERITY. I have a problem any time we use trade as a lever. This is the one situation where I think that it is clear that human rights is such an important problem or of interest to the United States that Jackson-Vanik should be kept on the books until the emigration is such that there would be a willingness by the Congress and by the Jewish community to waive those limitations.

Senator PACKWOOD. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

Mr. Verity, I want to change the subject just a bit and to start out by saying that I strongly support your nomination and will vote for confirmation.

Back in the middle and late 1970s, the coal fields of Appalachia and this country were hounded by a lot of labor-management problems, strikes. One was 111 days; another 3 years another was about

84 days. And we were strangling ourselves in labor-management relations.

I came to know you through a variety of ways, but one of them was at one point where you were the first business executive that I had encountered in steel or in coal—and you were in both—who insisted that the board of directors go into the coal mines, go down into the coal mines to see what coal mines were like, and to see what working conditions were like and what safety problems were, and what this whole matter of labor relations in the coal mines was all about.

Nobody that I had met up until that point, until I saw you do this, had done something like that. Most people hear about coal mines but know nothing about them because they never have a chance to go in them because they are often dangerous.

You took what I considered to be a trailblazing view. And I think it was not incidental that your safety record was one of the best in the country. You had not only Armco Steel but, of course, you had your own mines. And I noticed that. It struck me that you were in that action not only farsighted, but very pragmatic.

It was shortly after that that others began to follow suit and for a variety of other reasons labor-management relations began to improve in the coal industry. And in fact, in the recent decade the greatest untold story in industrial relations is the increase in the smoothness and the relative comfort of labor-management relations in the coal mines. And I credit you with a lot of that, and I think that ought to be on the record.

I also respect the fact that you have dealt with the tough subjects in this country. You evidently have a few critics on some counts, but any man who has worked in steel and who has worked in coal and has worked as broadly in business as you have understands what this nation has to do for its basic industries, for its manufacturing base, and what it has to do to become competitive. You have had to learn the hard way. Armco made the investments which other steel companies did not, and some of them have paid the price for it.

So, I think that should be, Mr. Chairman, a very strong point about Mr. Verity that you have been through the hard times. You have watched the decline. You fought the decline in our manufacturing base, and you know what needs to be done. And I think that that's not an unreasonable qualification for somebody who wants to be Secretary of Commerce.

I have two specific questions I want to ask you here, and then others that I'll submit to you in writing.

In 1983, November, the only bilateral, direct agreement between the President of this country and the Prime Minister of Japan was the Reagan-Nakasone agreement on coal, particularly metallurgical coal, in which the Japanese committed themselves not to decrease their import of American metallurgical coal.

At that point there were 26 million tons of coal being imported. Now it is down to about 10, and it was really held at 10 by action of the Prime Minister in the last month of last year.

My statement and question to you relates to the fact that in the Department of Commerce you have some very good people working on this problem, Joe Yansik and others, but that in spite of the fact

the Japanese steel production is declining, Taiwan's steel production is increasing as is Korean, as is Brazilian. And the matter of coal exports, which is vital to not just my state, but to many others is in great jeopardy in this country.

And I would like to know of your commitment as Secretary of Commerce, which I believe you will be, in keeping the pressure on the Prime Minister, the next prime minister, the Japanese Ambassador here, who has been very helpful on this matter—Pittston has just recently—as you know Pittston is usually the first one to make the contract. That's usually done in April or March, even February with the Japanese. That was not concluded until just the last couple of weeks.

So, the Japanese have been held back. They have been talking price differential, but frankly I think they have been fudging their figures. And I would like to know of your commitment to keeping pressure on our Asian friends and also others who are increasing steel production to purchase American coal.

Mr. VERITY. Senator, you started out by talking about exports, and I would like to just make the remark that I have been a very strong advocate of trying to help American business people export. This is one of the serious flaws in our system, and it is one of the things we need to eliminate the trade deficit.

As for relationships with Japan, I have been fortunate in having had relationships with Japan for a long time and during that experience have learned the need to be very forthright with the Japanese and to face up to the fact that they would like to delay making decisions in your favor so that I am for exporting as much coal as we can to Japan.

If confirmed, I will do everything I can to encourage the Japanese to realize that there is a serious problem between our two countries and they must open up their markets and they must also live up to any agreements that are presently in effect.

Senator ROCKEFELLER. In addition to that, in the area of exports—one final question, Mr. Chairman—the Japanese, of course, have their Japan External Trade group, JETRO, and they are all over the world pushing their exports. They do it successfully and they spend a lot of money on it.

We are less aggressive and we pay a price for it. In the Department of Commerce there is the Foreign Commercial Service, which has that as its task. And some of us are concerned that it is not as aggressive as it might be.

Now, it may be a question of money. It may be a question of the traditional American instinct to look more to our markets than to overseas markets particularly when it comes to mid-size and small size businesses.

But in my State of West Virginia and all around the country, there are a lot of businesses which would be willing to export but don't know how to do it. And the Foreign Commercial Service could help them if the Foreign Commercial Service made itself more available and more visible.

Is that on your agenda?

Mr. VERITY. Yes, sir, it is, Senator. I don't know all I want to know about that group, but I have met with all of them, and I do know that over the last several years—and I can't tell you how

many—they have been upgrading the personnel in the group substantially. I think there is great potential in that group that is being unused. And I am saying that not really knowing enough about it. But as a businessman I know that I never got the help that I hoped to get out of the Department of Commerce foreign service group so that I am aware of how important they could be. And I can assure you that I am going to work very closely with them to see if we can't make them more effective.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

The CHAIRMAN. Our colleague Senator Bentsen momentarily has to chair a hearing, so I want to yield to him at this time.

Senator BENTSEN. Thank you very much, Mr. Chairman, for your courtesy in that.

I just want to state, Mr. Chairman, I have known Bill Verity for a number of years. And I know him to be a man of integrity, ability and judgment. I know what a tough job it must be for a President to get someone to fill a Cabinet role toward the end of a term, and to get someone of this ability and experience I think is fortunate, indeed.

Mr. Verity does not need this job. But he does have a commitment to public service that he wants to make. And I for one will be supporting him in his nomination, and I have a list of questions I would like to submit for him for the record.

The CHAIRMAN. They will be included in the record.

Senator Wilson.

Senator WILSON. Thank you very much, Mr. Chairman.

Mr. Verity, welcome. I add to those congratulating you on your prior service and congratulate you on the President's nomination.

You were kind enough to come by my office yesterday, and I invited you because there were some things I wished to discuss with you and because I did not wish to hit you cold with certain things with which you might be unfamiliar.

One of those, as we discussed at the time, which is not of your making, but something that you will undoubtedly have to deal with, has to do with what seems to be the unparalleled course which the Department has embarked upon which may very well lead to an effort to decertify the plan adopted by the California Coastal Commission under the Coastal Zone Management Act. As we discussed yesterday, the act requires the adoption of a plan and then requires that the State act in compliance with the plan.

This particular concern I have arises out of the substantial evidence I think. First, as I indicated to you yesterday—and I will supply you with a copy—Secretary Hodel had written a communication to former Secretary Baldrige on May 29 indicating his view that the California Coastal Commission is unlawfully usurping power under the guise of the Coastal Zone Management Authority.

Further fueling this speculation is the fact that a draft report by the office of Coastal Resources Management would appear to lead to decertification. And further fueling the speculation about this proposed decertification is an unidentified memo that has been attributed to a member of the Department of Commerce staff which sets out a schedule for decertifying the California program.

Now, the effect of that decertification would mean not only that Federal funding under the act for the conduct of the Coastal Com-

mission's activities would be cut off; more significant, it means that the State of California would be cut off from voicing any protest whatever in consistency proceedings—that is, in determining whether or not a proposal for leasing for oil and gas exploration would be found to be consistent with the adopted coastal plan of the State of California.

I must tell you that I find that an absolutely intolerable and unacceptable result. There may be some deficiencies in the performance of the Commission. In fact, there clearly are according to a recent story by the Los Angeles Times. But I cannot accept the decertification of the plan leading to that without a great deal of—well, I can't accept it, period. I will tell you that right now.

I hope that those who are acting in the interim, prior to your appointment, can bring about a resolution of these issues that will make this problem go away. If it does not go away, I am going to be compelled to seek a hearing by this committee.

I would like to again in fairness to you note that this is not of your making, but it is something that you have inherited. And having set the stage that way, let me simply ask you a few questions.

If this memo that sets forth the schedule of events that would lead to decertification is authenticated, what effect would that memo have on your views as to the legitimacy of the draft report issued by the Office of Coastal Resources Management, and what would you do in response to such a memo?

Mr. VERITY. Well, Senator, as you said, we discussed this yesterday. And it is a subject, as I told you then and will reiterate, I don't know as much about as I would like. The only thing I have had is a briefing on the Coastal Management mission.

We did look into your concerns last night and this morning. And I have been told that there are two members of the Commerce Department who will meet with the Coastal Management people in San Francisco on September 15 with the hope that they can work out some of these problems.

As you said, this was only a draft report. It is not the final one. And I would be hopeful, Senator, that they can work it out. If confirmed, I can assure you that I will look into it and do all I can to see if we can't work out the problems.

Senator WILSON. Mr. Chairman, I take it my time has expired, and I appreciate the response from Mr. Verity. I think it is absolutely essential, not only because we are working on a very short time frame in terms of the cutoff of funding by September 30, but as I say, even more alarming is the prospect that the State would lose all voice in those consistency proceedings. So, I thank him for that offer of cooperation.

I hope that it will lead to a resolution, but if not, Mr. Chairman, I will be making that request to you. It will have an impact, I might say, not just on California, but as I look around this dais, there are many members from coastal states who I think would share that concern, not the least of which would be the Chairman.

The CHAIRMAN. Yes. Thank you, Senator.

Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman.

There are a number of things I hope to be able to discuss with you today, particularly the trade issue, the manufacturing base, some of the things we discussed in our private conversation yesterday on the National Commission on Competitiveness, its work and what we might do to implement it.

But I think we should use the time in this first question period to go to the issue of Reserve Mining, which we discussed yesterday. And I would like you, if you would, to in the same fashion that you have responded to earlier questions in the most direct way lay out the facts in that situation in terms of your involvement, your judgment, what happened, and how you view it today so that also can be fully illuminated in terms of what your thoughts and position are.

Mr. VERITY. I'd be happy to do that, Senator. It has troubled me—some of the press in recent days—because Armco as a company has been a leader in environmental concerns for a long time. We were the first manufacturing company to come to Washington in 1966 and assure the government that we would get rid of our pollution problems, both air and water, by the year 1970.

The purpose of me coming down was to try to get tax incentives in order to encourage industry to get the job done quickly. I did not succeed in that. I did not succeed in getting all of our pollution problems done by 1970, but we did complete them by 1971. It so happens that Congress by 1970 had changed the standards, so we were again behind and had to work hard to eliminate those new problems.

Reserve Mining is a special case. And I think most of you know that Reserve Mining was jointly owned by Republic Steel and Armco Steel.

The genesis of all this is that in 1922, Armco entered into a research arrangement with the University of Minnesota with a Dr. Davis. The purpose was to try to find if we could commercialize taconite ore. There is a great body of taconite ore in Minnesota, but the rock is so hard no one had ever figured out a way to use it in the production of steel. We worked for about 20 years with the University of Minnesota and finally made a breakthrough in developing a system for this.

Armco tried this out in our plant in Ashland, Kentucky. We found that it was a very effective way to use the taconite ore, and by pelletizing, it to double the production of all the blast furnaces in this country. So, it was a very important innovation.

Then came the problem of where to pelletize this material. Our mine was about 40 miles from Lake Superior, and the lake would be used to transport the ore to the steel mills. The State of Minnesota and the Army Corps of Engineers worked with us for about a year and a half to try to determine the best place to build the pelletizing plant. The result was that those two groups felt the best place to put it was at a place called Silver Bay, Minnesota. The reasoning was that right off Silver Bay was a deep trough about 700 feet deep and many square miles in size, and that this waste rock would drift down through the thermocline into that trough. And so, all the permits were given to build the plant there.

The plant was built at a cost of around \$350 million to \$400 million. We operated the plant very successfully. But as we all know,

the perception by Americans of the environment during the period early 1950s to 1970 changed substantially.

And so, around the beginning of 1970 there was talk about trying to get Reserve Mining to change its method of disposing of the tailings. We talked with EPA about it many times, and finally we came up with what we thought was the best environmental solution. And that was simply that we would pump the waste rock into that trough so it would be trapped there. Many scientists that helped us as consultants thought that that was the most satisfactory way to solve this problem.

However, the State of Minnesota and several other States, Wisconsin, did not like that solution and they sued to get us out of the lake. Keep in mind that we had the permits to do this. We as management felt that the best solution was to put this material into the trough. And so, this trial became a very emotional thing.

I had not paid as much attention to it as I should have, and in the mid-1970s during this trial I spent a lot more time in Minnesota, not by choice always, to be a witness at the trial. And it became clear to us that the issue—although it had been said there was a health hazard, that really the issue. The issue was that the people in that area wanted Reserve out of the lake.

And so, during the trial at the last day I made a proposal to the judge which was simply that we would get out of the lake, that we had developed the technology for a closed circuit system to put this material on land and none of it would ever get back into Lake Superior.

By that time, unfortunately, this trial had become too emotional perhaps, and the judge disregarded that offer and instead closed down the plant.

This was immediately appealed to the Appeals Court. The Appeals Court took immediate action and within three days reopened the plant and replaced the judge.

Then our problem became where are you going to put this material. Reserve Mining offered to put it three miles from the plant, which we thought was the most satisfactory place. Again, it was determined that that was not a satisfactory place and that we should put it further away from the lake. They wanted us to put it 20 miles away, and that was economically impossible.

We finally compromised, and I really can't remember, Senator. But it was between 7 and 10 miles I believe as an area where should put these tailings. Although the cost was prohibitive in our opinion, we felt that if we had a continuing market—that is, price of ore—that over a period of time we could pay the bill, which was about \$400 million to put this material on land. We proceeded to do that.

Unfortunately, as we now look back, that was not a good economic solution. That made that plant not competitive and the plant has been shut down for a couple of years.

You asked that I say something retrospectively about it. It was one of the things that I regretted most that we were not able to find a solution to that problem sooner. Had I known the feeling of those people for Lake Superior, I think I would have been more sensitive sooner. But you will have to recall and remember that we

felt that we were doing the most satisfactory environmentally sound thing to do.

Senator RIEGLE. I appreciate the Chairman—I do not want to trespass on others' time, although I think it is an important issue to try to maybe deal with in one—

The CHAIRMAN. Yes, go right ahead. John, you don't mind.

Senator FORD. Me either, John.

Senator RIEGLE. I'll try to be as quick as I can.

I asked you yesterday if there had been health studies done on the health of the workers in your plant, environment and so forth in terms of the question of whether these materials had a documented health hazard associated with them. And I would like you to share with us what your response to me was.

Mr. VERITY. Well, early on in the trial it became apparent that there would have to be another issue. And the judge in the case did bring into being a new issue, and the issue was a health hazard. And this was based on a report that he had from a group in New York, a research group, that said that our waste material—its fibers were similar to asbestos fibers. And of course, that's a very scary word.

And so, we hired all the experts we could from New Zealand to California, which is where some of great experts were, to determine are these fibers like asbestos, are they a health hazard. We had monitored the water every day since that plant opened. I imagine that the employees at Reserve Mining were the most physically examined employees in industry because we examined them constantly. Our experts determined that there was not a health hazard.

There was a discoloration problem, and this bothered everybody because as the tailings—where they entered, the water was lighter than Lake Superior. We also monitored that water carefully.

The judge determined that there was a health hazard. He also determined that we should pay for filtering systems in four cities on the shore. He ordered that they put these into effect, and that was done by Federal judge.

The issue then became was there a health hazard. We made the statement, and I make it today, that if I had ever felt that there was a health hazard, we would have shut down the plant. But this was monitored and I did not believe there was one.

The basis of the Appeals Court in reversing the judge and opening the plant was he said there was not sufficient evidence of a health hazard.

We continued to monitor that. The issue I think was resolved with that direction from the Appeals Court.

Senator RIEGLE. Is there any data today that indicates one way or the other in terms of the health status of the workers that would have worked there over that period of time? Are there up-to-date studies that would show a normal profile, for example? Do you know what the current status is?

Mr. VERITY. No, the plant has been shut down for several years. We did continue to x-ray the chests and the intestines of all employees after that trial and while the plant was in operation. We never could find any damage that is unusual, different than

normal in our employees. We also monitored that in the four cities that had the filtered water.

That, of course, is a biased opinion on my part. There are others who feel that there could have been a health hazard. But it has never been documented.

Senator RIEGLE. Just two other things. Do I understand also from the earlier statement that you made that at the time you decided upon the disposal procedure to drop this material into this trench out in Lake Superior that the State of Minnesota was involved in examining that, issuing a permit to do that? You say that you had people I think at the university involved with you as well who were presumably specialists in that question.

Is it fair to say or is there some other part to the story we need to know that all of the certifying governmental officials that had to be involved participated in that decision, agreed with that decision at the time? Was there any dissent? Was there a fight over it at the outset or not?

Mr. VERITY. No, Senator. At that time we were "white hats." We had come up with a system that could utilize taconite ore which changed the whole complexion of that area.

There were only two people that we had to get a permit from. One was the Army Corps of Engineers, and the other was the State of Minnesota. And both of them provided the permits.

Senator RIEGLE. Now, just finally, in terms of looking back at this thing, what you said to me yesterday and what I think I have heard you say again today is that with hindsight—and we would all like to be able to have hindsight and take it back and maybe change things that have happened before. Am I correct in understanding your testimony to be that had you seen this issue in the light that you now see it and as you later saw it and could go back to the beginning, that you would have gone in a different direction initially, that you would not have gone in the direction of using the lake as a sight to dispose of these tailings despite the fact that you had the permits. Is that a fair statement? Or if not, how would you characterize looking back now in terms of the history and everything that you have learned in terms of how that affects your thinking retrospectively?

Mr. VERITY. Well, I think in 1987, Senator, nobody would have asked for a permit.

But that is not quite what I said yesterday. What I said is we felt all along that we were doing the best environmental solution. We honestly thought that pumping that into that trough was the best thing to do.

As I look back, had I realized that the real issue was the emotional thing of dumping something in Lake Superior, we would have tried to develop the technology sooner for putting that on land. We had no technology to do that. We felt that we were doing the right thing so that, yes, as we look back, I would have tried to resolve the problem sooner.

I have no regret in doing what we did because we thought it was the most environmentally sound solution to the problem.

Senator RIEGLE. Just one other thing. Then your testimony today is to the effect that you felt back at that early period that as a company you were in the forefront of wanting to deal with the en-

vironmental problems of heavy industry of this kind, and that in fact you had come to Washington to seek tax credits as a way to accelerate the cleanup of both water pollution and air pollution and so forth so that your testimony is that rather than being people that would have a disregard for the environment, that you really felt that as a company you were in the forefront of trying to make a breakthrough in terms of not having industrial pollution going into the environment. Is that also what you're saying here today?

Mr. VERITY. That again may be a biased opinion, Senator. But yes, I think our company was in the forefront of finding solutions to the environmental problems, and I just mentioned two.

One is our companies worked with EPA to develop the bubble concept. The bubble concept has been a very important concept for industry where instead of trying to fix everything in a plant, you develop a standard for what you want for that plant and then you treat the plant as a bubble and you eliminate the problem to the point where you meet the standard.

The other thing is OSHA was so new that when OSHA started to come around to our plants, we found they didn't know what to ask. They didn't know what to look for. And so, we worked with them for two years to develop a program that we thought would be an effective way for them to help them find the solutions to the problems that they had.

Senator RIEGLE. I thank the committee. There may be other questions as a follow-up, but I appreciate the patience of being able to——

The CHAIRMAN. Very good. We have got six other Senators, so we are going to try to stay to the time schedule.

Senator Breaux.

Senator BREAU. Thank you, Mr. Chairman.

Thank you, Mr. Verity, for meeting with me yesterday. I appreciate that.

I commend you for being willing to take what is a very difficult assignment especially for 15 months or so, depending on the time frame we are operating under. I would think that most people would think that it would take a good man 15 months just to learn the names of all the people in your various subagencies over that period of time. So, I commend you for being willing to make that sacrifice.

Your good friend, Howard Phillips, says: "If William Verity is confirmed as Secretary of Commerce, Mikhail Gorbachev will have a voice at the Cabinet table." That is a pretty strong statement.

And also, a statement by Mr. Anthony Harrigan who says he is speaking for the United States Business and Industrial Council, an organization of 1500 member companies, opposes your confirmation on the basis of your positions on east-west trade and the nation's security.

What I would like for the record is if you can give us anything that would negate that type of, I think, very strong statements from these two different areas so that we can say that is not reflective of Bill Verity's position. What can you say to counteract or contradict these two positions?

Mr. VERITY. Well, the first position about Mr. Gorbachev being in the Cabinet—it seems to me that that does not require much of an answer. I have met Mr. Gorbachev, but I can assure you, Senator, that my total interest is the United States of America.

But Mr. Harrigan's problem is that I have worked for many years to try to increase trade between our two countries. And that is a very important issue to me. That happens to be the policy of the U.S. Government at this moment. It was the policy of my predecessor, Mac Baldrige. And so, I am following in his footsteps. And what we would like to try to do is to assure that there will not be the sale of sensitive, high technology items to the Soviet Union that could help their military.

Senator BREAU. What would I respond on your position if he would say, well, we should not be selling them anything until they change their positions on various political positions around the world?

Mr. VERITY. Well, I think that would be very counterproductive to try to say to a nation that has the second biggest market in the world which is being used by our allies and used well in billions of dollars of business, for us to feel that we could change the mentality of a super power with such action. It would not work.

I think the only thing that makes sense is what we are doing. We are trying to increase trade in those things that could not possibly help them, but are things that they need and things that Americans can produce and produce very profitably in creating jobs. Those are items that I have mentioned earlier, and I do not see any reason to repeat them. But they are all things that have nothing to do with the military. And I think that any way we can increase trade or we can increase dialogue so we can create better understanding and lessen tensions will be productive over the long run.

Senator BREAU. I thank you for that answer.

In the next 15 months—I mean, it is an immense task. Obviously, because of a tragic event, the Secretary's position is vacant. Our good friend and former colleague, Bud Brown, is temporarily out. You have just lost your National Oceanic and Atmospheric Administrator, one of the largest departments. I quite candidly think you have a very weak Fisheries Department, at least at the Washington level.

Where are you going to go for the type of people that many of us feel you need to fill, say for instance, the NOAA vacancy? What type of person are you going to be looking for to fill that immense and very important department within the Commerce Department?

Mr. VERITY. Well, I like you, Senator, am very unhappy that Tony Calio picked this time to resign. From what I can find out, he did a very good job. He is respected by people in the organization and by the Congress. So, it is going to be a difficult job to fill.

That search has started. What we are really looking for—I can't say we. What has been done so far is to try to find someone with a scientific background but that he or she would be a very good manager and administrator. NOAA is so big and so complex that it is going to take someone who has those kind of skills which would be helped by a scientific background.

Senator BREAU. Would you look for them within the Department, or are you going to be looking outside of government to find that type person?

Mr. VERITY. Both. I know that there is a review being made of everyone in the Department. My own view, if we could find that person, that would be better for the simple reason that to get up to speed in that department is going to take some time.

Senator BREAU. As a follow-up to Senator Wilson's question about off-shore oil development, what is your general philosophical view with regard to the right of a coastal state to approve or to disapprove federally permitted off-shore oil and gas activities in Federal waters?

Mr. VERITY. We got into States' rights awfully quick, Senator.

I think the system in effect in which the coastal groups have a definite say—and we usually follow what they say—is a very good system.

Senator BREAU. Should they have a veto right?

Mr. VERITY. I am not really familiar enough with whether they have the veto right now. Do they?

Senator BREAU. Well, I guess my question is do you feel they should regardless of the state of the law.

Mr. VERITY. My answer has to be that I think that they have been able to work out that problem in every case between the Federal Government and the States. I know they have one in California that has not been resolved yet.

Senator BREAU. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator EXON.

Senator EXON. Mr. Chairman, thank you very much. Welcome to you, Mr. Verity. We have had a lot of very good questions and discussions this morning about pollution of the mind with regard to communism, which is an important subject, and pollution in general. I want to get to something that you probably will be having something to do with if you are confirmed, as I expect that you will be, as the Secretary of Commerce, and that is with regard to the trade legislation that if it passes, you will have a great deal to do with as the Secretary of Commerce as to its implementation.

I would like to get your general views on the trade bill or bills that have been passed. Let me start by asking you, since there has been a lot of conjecture on that at the present time, if the Congress eventually passes essentially the House of Representatives' version of the trade bill, and/or essentially the Senate version of the trade bill, would it be your recommendation to the President of the United States that he sign either or both. Or would it be your recommendation that he veto that legislation as the President has threatened to do?

Mr. VERITY. Well, Senator, I see my role, if confirmed, as doing everything I can to resolve the problems between the House and the Senate versions. And that is going to be a tough act to follow because you have 50 Senators and 100 Congressmen in a conferee group. I don't know how that will be managed.

Senator EXON. I think it is 50 and 150.

Mr. VERITY. Excuse me. That makes it just a little worse.

But it seems to me that my function should be to work closely trying to resolve these problems because I personally—and I believe that the Commerce Department also want a trade bill. And I think the President wants a trade bill, but it has to be one which he feels meets his standards. I think that as Secretary of Commerce, it is my job to try to make a trade bill possible.

Senator EXON. Well, let me press you a little bit further on that then with this question. Assuming that Congress passed the House version of the trade bill as it came out of the House of Representatives, as Secretary of Commerce would you make a recommendation to the President that he veto that bill?

Mr. VERITY. I would have a problem accepting the House bill as it is now, Senator. I have a bit of a problem accepting the Senate bill as it is. I do believe that there is within both bills an opportunity to come out with a very satisfactory trade bill. And it seems to me that is what we ought to try to do.

Senator EXON. Well, I appreciate the most difficult position that you are in in this regard. I take it then that as of now you have not made up your mind as to whether or not you would recommend a presidential veto if the Congress would eventually pass and sign and send to the President for his signature the trade bill as it came out of the U.S. Senate.

Mr. VERITY. Well, as you say, Senator, you have got me on a difficult spot. The most difficult spot you have gotten me on is that I am not up to speed on what is in that trade bill. I have not had an opportunity yet to really study it with the staff to know enough about it. And I do not intend to go into the conference hearings until I do know more about it.

But my intent—and that's all I can say at the moment—is to find a way to come out with a trade bill because I think it is very important to this country, and personally I think it is important to this President.

Senator EXON. That's all the questions I have, Mr. Verity. And I suspect very much that you will be confirmed. I intend to support you as the President's nominee in this area.

I do hope, as we had talked in some length in our private discussions before you came here, that some kind of a trade legislation is going to come out, in my opinion, of the Congress of the United States. We need your advice and input as we go into conference with the House on that bill to hopefully come up with something that will not be a meaningless trade bill because I don't think most of us want window dressing.

It's a tremendously serious problem. I think the trade deficit is. As much concerned as I am as a fiscal conservative with the fiscal deficit and the skyrocketing national debt, I believe the most immediate problem that we have in the long term is getting the United States once again competitive in the field of international trade. Otherwise, I suspect that we are possibly signaling the decline of the United States as both a super power in trade, as well as the military implications thereof.

Thank you very much.

Mr. VERITY. I share those views, Senator.

The CHAIRMAN. Senator Ford.

Senator FORD. Mr. Chairman, most of the questions I had to ask—I have listened to them intently, and they have been asked of my good friend. And so, I will forego any questions and give you some time for others.

But Mr. Verity has a very fine reputation in my state. He comes highly recommended by those who I represent, and I look forward to supporting him for his approval and then in his 15 months in office.

Mr. VERITY. Thank you, Senator.

The CHAIRMAN. Thank you.

Senator Kasten.

Senator KASTEN. Mr. Chairman, thank you. Thank you very much.

Mr. Verity, I listened with interest to your exchange with Senator Packwood on Jackson-Vanik, and I also note the comments that you made in your written remarks.

I would like, if I could, to just step one more step and ask you to state your position and the position that you would advocate in the Cabinet with the policy on human rights and trade relative to the actual numbers of emigrants that we would want to see be able to leave the Soviet Union before we would entertain a relaxation of trade restrictions.

You may recall that in 1979 the number was approximately 50,000 emigrants who were allowed out of the Soviet Union. Is that a fair standard? Is that a fair benchmark?

Mr. VERITY. No, I don't think 50,000 is. I think that was what you call a blip. But I do feel that there is a level, and I don't know exactly what that level is.

Senator KASTEN. But you believe it would be less than 50,000?

Mr. VERITY. I believe it would be less than 50,000. I think that question can better be answered perhaps by others. But as I said, I did meet with the Jewish leaders to discuss just this issue. And they were talking about a figure less than that being satisfactory to them.

I would say that a reasonable figure is some place between 15,000 and 20,000 to 25,000. Perhaps that will not be satisfactory. That is certainly a good starting point.

The real point is that you get the attention of the Soviets to realize that this is a very important issue to the American people and that if they want things to happen—and they do—that they will make it possible to increase substantially the emigration of Jews from the Soviet Union.

Senator KASTEN. Mr. Chairman, I am not going to pursue this any more at this time, but I would like, if I could, to ask unanimous consent that a letter and some attachments that I have received from the Council for Soviet Jews relative to trade and human rights be included in the record.

The CHAIRMAN. It will be included.

Go ahead.

Senator KASTEN. If I can, I want to cover two other subjects. Since the mid-1970s, the Department of Commerce has been concerned and involved in the process of trying to deal with product liability insurance problems. The President has recognized the det-

rimental effects of the present situation in this area in terms of our ability to continue to expand trade and commerce.

You recognized in one of your responses to the committee's questions the effect of product liability and tort laws on America's ability, to compete. Will you continue the administration's strong interest in support of legislation in working toward meaningful product liability reform?

Mr. VERITY. Yes, sir, I will. I believe very strongly that this is one of the factors as to why we are not as competitive as we could be.

Senator KASTEN. Along related lines, I have also been involved in developing the Risk Retention Act of 1981 and last year's amendments to the Risk Retention Act. This legislation facilitates self-insurance, and you may or may not be familiar with it. But your Department under the Risk Retention Act is to provide a report indicating whether the act has been properly implemented by the States. That report is due this month.

Can I be assured of your cooperation toward the goal of having this report completed promptly and on time and helping to insure and assure that it contains constructive recommendations?

Mr. VERITY. Senator, I am not aware of this particular issue. But again, if confirmed, I will be happy to look into that and make sure that that report does get out on time.

Senator KASTEN. Well, I look forward to working with you on that. And a whole constituency group of people who worked together on a bipartisan basis to put the Risk Retention Act into place is anxious and eager to have this report published on time, and to have it contain the information that we need in order to continue to move forward in this direction.

Mr. VERITY. I look forward to working you on it.

Senator KASTEN. Finally, Mr. Verity, the Patent and Trademark Office is under your responsibility as part of the Commerce Department, as you know. And they are in a major automation project involving optical disk mass storage of data. The Secretary of Commerce, along with the Chairman and others on this committee, all worked back and forth on this important project because it involves emerging technology in which the U.S. is a leader. And there are some questions as to how the overall contracting and competition for this Patent and Trademark Office procurement will work.

I am going to leave three questions for the record on this question and simply say that we look forward and hope that we can look forward to working with you toward resolving this very difficult and sometimes contentious issue. But I would like to submit some questions for the record on this subject.

And I thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Adams.

Senator ADAMS. Thank you, Mr. Chairman.

Mr. Verity, welcome. I want to indicate publicly my support for your nomination as Secretary of Commerce.

I particularly appreciate your statement that you are going to be the person that will carry the trade matters forward in the admin-

istration and your ability to consider both Soviet and Chinese trade.

I have one question that I want to bring forth and that is in the area of fisheries I am hopeful that your oversight, in the NOAA area will include the Federal management of the fisheries in the North Pacific so that we will have both an international and within the States fair and Federal management of this resource.

Mr. VERITY. Well, Senator, again this is an area that I would like to know more about. I have been briefed on that. One of the things that astounded me is that I have a navy to enforce some of these regulations, 23 ships and 400 personnel, to be used wherever our fisheries are endangered. And so, philosophically I am for doing everything I can to do just what you want. And now that I know that I have the necessary resources to enforce it, I feel a lot better.

Senator ADAMS. I might say to you, Mr. Verity, that as a former secretary it always comes as a surprise. I think as Secretary of Transportation, we had the third largest navy and fourth largest air force in the world or something like that. So, there are enormous resources there.

I wish you well in your endeavors, and I am very hopeful we will be able to work with you on the trade bill. I hope that a version passes and that you will be supported by a majority of the Senate.

Thank you, Mr. Chairman.

Senator RIEGLE. Thank you, Senator Adams.

We have a vote under way, as you may know, Mr. Verity, and so various members are voting and will return. And I know there are two members that have asked to question you that have not yet had the chance to do so. So, hopefully they will be along in due course.

In the meantime, I am going to continue with one other item until such time as either another member returns or the second bells on this vote ring, in which case we will take a brief recess, which I am sure you would welcome as well. But I do not envision our time with you to go at great length after this vote beyond what I have just described.

And we will have some other witnesses who have asked to testify, and the Chairman, Senator Hollings, will be back after he votes in order to call those witnesses.

So, in using the time that we have, let me just refer you to a chart that you and I discussed yesterday. And I want to make this a part of the record today.

This chart shows our trade deficit in the last few years with this terrible problem of this huge deficit of \$170 billion having been our performance for 1986. And then the six lines that are over to the right of the chart show the monthly trade performance for each of the first six months of this year on an annualized basis so that each one of these lines shows the monthly performance in a way that relates it directly to this figure of last year.

And what we see here is that the trade deficit is not improving. We are seeing that month by month we have leveled off at a very severe deficit level of roughly \$170 billion. And in fact, if one strikes an average of those six months of data, if anything, our situation seems to be still sliding against us.

Now, all of that is in light of the fact that the value of the dollar has gone down quite substantially over a period of time versus the yen particularly. There has been adjustment—volatility just in the last few weeks. But in any event, those currency changes have not solved this problem, which is something that a lot of the economists had thought might be the case.

So, instead of seeing what was advertised as a J-curve where all of a sudden this trade deficit was going to start to get better in the form of a J in the movement of this data, what we are seeing is something that is more like an L-curve where it has come down to a very serious deficit level and is now plateauing out at that level, and that is where we are running.

And the reason that I take the time to illustrate this data, there is a lot of confusion is to what the data shows. This is Department of Commerce data. So, this is the official data through the month of June of this year, and this is where we stand.

The reason I make the point is that it is clear to all of us to who have a great concern about the trade issue—and certainly I do, the Chairman does, Senator Danforth does. We have produced trade legislation. That has been discussed here this morning. But the lead Cabinet officer on the trade issue in the Reagan Administration was your predecessor and our good friend who died so sadly, Mac Baldrige.

And so, in a sense the person who had fought hardest to try to bring some realistic attention to these terrible trend lines was suddenly removed from the debate, and you have stepped forward to pick up that responsibility and offer to serve out these remaining 16 months in this term.

And I think you have said clearly today—you certainly said in our conversation yesterday, if my recollection is right—that you thought the trade issue in strengthening the economic performance of the domestic economy was really your top priority.

Mr. VERITY. Yes, sir, it is.

Senator RIEGLE. And that you in a sense had agreed to accept this job because of the urgency of those issues and the fact that you thought with an all-out effort on your part and others that you could perhaps make some difference in this area. And it was your determination to try to do so.

Mr. VERITY. I would hope so. I think it is the most important thing facing our country. I think that there are things that can be done. And I think it is going to take a long time to turn our system around. But I believe that we can become competitive. We can become cost effective. And it is just the matter of having the will to do it.

Senator RIEGLE. Now, when you see trade statistics like that that have now made us the number one debtor nation and we are adding new international debt at the rate of a billion dollars every two and a half days, from a balance sheet point of view, an international balance sheet point of view, as a man who has been in international business at the highest level, is that a sustainable trend in your view? Can we continue to pile on that kind of international debt indefinitely, or do we have to change that?

Mr. VERITY. Well, Senator, I think we have to change it. I do not see any way how we can continue this for two or three more years.

It will just sap the strength of our country. So, I think we have to turn it around. We have to start working toward some surpluses to get rid of the big deficit we have got.

Senator RIEGLE. You know, coming from the industrial midwest, as you do, both in terms of your professional business experience and also where you have spent a large part of your life, you probably bring as good a sense of the nature and the importance of the industrial base in the national economy as anyone that has yet served in the Reagan Cabinet. I think it is essential that that point of view be reflected, be at the table.

We have had an odd anomaly here in the Senate where until this year all of the industrial States in the heartland of the country, Michigan, Ohio, Illinois, Indiana, Kentucky, West Virginia, Wisconsin, as a group of States had no Senator either Republican or Democrat on the Senate Finance Committee. So, the trade issues, which are really—the primacy for trade resides in the Finance Committee. There was no one there to express a point of view as to what was happening to us in our region of the country. We now have representation there, but for a long, critical period, there was none.

I think it is analogous to the situation in the Reagan Cabinet. I think you come in and fill a critical spot there in terms of bringing an insight about the industrial economy that with the exception of Mac Baldrige has largely been missing.

And I would just like to say before recessing here for the moment when Dr. Bowen took over at HHS, there was a question as to whether somebody could come in late in the administration and really make a difference. He has made a difference on catastrophic health insurance, as you know, and with the President's support of his efforts and to the credit of both of them.

I think the same thing can happen in this Department with respect to the trade issue. And I think it is essential that that be done. I think it is very important that we not lose the momentum that Mac Baldrige had established there. And one of my great hopes is, assuming you are confirmed, as I expect you will be, that you can catch this moving train and that we can get something material done in 16 months so that when you leave this assignment, you can say to yourself and everybody else we made a difference, and we made a difference we can see, and we made a difference in improving the economic strength of this country.

Let me just now put the committee into recess until the Chairman returns, and then we will finish with you and call the other witnesses. The committee will be in recess for a short time.

Senator Kerry has just returned, Mr. Verity, and so if I may, we will have him conduct his questioning now and then make a decision when he finishes as to whether recess is required.

Senator KERRY. Good morning.

Mr. VERITY. Good morning, Senator.

Senator KERRY. I don't know all of the preceding questions. I was here briefly and I had to go over to hear the Secretary of State, and I will be going back in a minute.

But I did want to ask you a couple of questions that I suppose can be termed somewhat parochial, maybe considerably so, and some which are not.

The first one concerns the Minority Business Development Agency offices, and specifically the office in Boston. I had a fair amount of conversation with Mac Baldrige on this. We went around with it in 1985 and 1986. It had been recommended that that office be closed in Boston which serves a very significant minority business community in the region.

It is my understanding that that decision now has again been made to close the office. We just learned this yesterday. You may not be at this point completely aware of it.

But after I exchanged correspondence and conversations with Mac Baldrige, he came back to me in a letter and said, indeed, we have reviewed it. We find that this office does serve a very significant community, that putting the office in New York would handicap people's ability to have direct access and communication. And the decision was reversed, I might add, after we had put in the appropriations bill here a prohibition against the expenditure of any funds to close it. But we were delighted with that decision.

And I should say to you that just two weeks ago I held a hearing in Boston which was attended in really an astonishing fashion by members of the minority community, all of whom really need this outlet.

It is my understanding there is a savings of \$20,000, basically office rent because the personnel are going to be transferred. And you are going to wind up with the cost of those personnel traveling back and forth to New York to Washington. So, it will be \$20,000 minus whatever those costs are.

I would like to ask you if you have a feeling about the MBDA program itself apart from the transfer to the Commerce Department as an entity—to the SBA. Excuse me. What about these offices and specifically the Boston office?

Mr. VERITY. Well, Senator, I have not been privy to some of the things that you mention. You are very persuasive in saying that former Secretary Baldrige and you had correspondence and that after a review, he felt that this was an essential office.

I would imagine what has happened is that some kind of management decision has been made. And the only thing I can really tell you is that I, if confirmed, will look into it immediately. I have met with the minority business development group. I know their sincerity, their interest in making a difference in minority business. I told them when I met with them that if confirmed, I would work with them to see if we couldn't improve that situation.

Senator KERRY. Well, I very much appreciate your commitment to do that. It is obviously something of enormous concern to us. And I just—in fact, since I am now chairing it, I will place the letter from the Secretary in the record.

[The letter follows:]

THE SECRETARY OF COMMERCE,
Washington, DC, October 23, 1985.

Hon. JOHN F. KERRY,
U.S. Senate, Washington, DC.

DEAR SENATOR KERRY: Thank you for your letter regarding the proposed closing of the Boston District Office of the Minority Business Development Agency (MBDA).

MBDA currently maintains district offices in areas, such as Boston, which generally have large minority populations and are difficult to service from the six regional locations. After review of cost-savings consideration proposals, however, MBDA

Director James H. Richardson Gonzales has decided to maintain these existing functional district locations.

Sincerely,

MALCOLM BALDRIGE,
Secretary of Commerce.

Senator KERRY. But I quote him. He says that currently he "maintains district offices in areas such as Boston which generally have large minority populations and are difficult to service from the six regional locations."

So, my hope is that we can work on this, and I have no question but that you will be there shortly and doing that. And I hope we can try to keep this office open.

Mr. VERITY. I would like to do that.

Senator KERRY. And with your assurance that we will deal quickly and directly with it—I take it, I have that assurance.

Mr. VERITY. It really depends Senator, on how fast I'm confirmed.

Senator KERRY. What I am hinting at is that I will do everything possible to assist in that process.

Mr. VERITY. Well then, so will I.

Senator KERRY. Another issue of very significant concern—again, parochial—before I come to a larger issue, is that New England ground fish situation. We have the largest commercial fishing port on the east coast in Massachusetts, New Bedford. And yet, another one that contributes significantly to our economy and to the entire fishing region, which is Gloucester.

Our fishermen has been under increasing pressure from the decision from the World Court and the Canadians on the treaty which has barred us from fishing where we used to have rights. The countervailing duty provision with respect to whole fish being transferred to this country has resulted in fillets coming in which has undercut our own markets while they are at the same time prohibited from fishing where they used to be. And these are tough times. The cost of insurance on boats is way up. They cannot insure their boats fully, and we are trying to rectify that with other measures.

But recently the New England Fisheries Council under the Magnuson Fishery Act, which are charged with the responsibility for putting plans together to assist fishermen in coming up with regional approaches to their problems, came up with just such a plan. Shortly thereafter, NOAA came up with their own plan, their own amendment, which really went at loggerheads with the whole concept of the Magnuson Act and with the whole direction that the Fisheries Councils were moving in. And it threatened the integrity in a sense of the fisheries management concept, usurped the Council's role, and threatened I think the perceived legitimacy of many folks within the New England fishing industry.

Now, again, you have not been there, and you are not totally part of it, and part of this is flagging it. But recently Under Secretary Calio approved the New England plan after getting significant pressure I think from the Congress and the fishing industry to try to live by the standards of the Magnuson Act.

My question to you before we get back into this and have another go-around is would you unconditionally stand by the Coun-

cil's amendment, and will you respect the role of the management council as we go on in this process in the future.

Mr. VERITY. Senator, I would hate to say that I unconditionally will do that because I am not in a position to know the issues. But I have been briefed on the regional councils. I do know that they try to put the most competent people on those councils and have local people on them and professionals. And my inclination would be to feel that those councils in their wisdom are probably trying to do the very best job they can for that region and, therefore, should be supported. I cannot give you the unconditional statement that I will do that at all times unless I know all the facts.

Senator KERRY. Well, I appreciate your statement as to basic intention, and I am satisfied with that.

I obviously am trying to point out the real importance of this Council to the management of a very difficult problem.

Mr. VERITY. Yes.

Senator KERRY. And I think it is key to build the kind of consensus among the industry itself in the approach to any solution if it is going to be a solution at all.

Commensurately, we have a serious problem and have been at loggerheads with Interior for a number of years now over the leasing of oil tracts on the Georges Banks. The Coastal Zone Management Act is an integral part of the Commerce Department's authority and jurisdiction with obvious concern about the oceans and NOAA and all that NOAA is up to. The EPA has come out against that leasing.

And my question to you is if we are going to uphold the basic concept of the Coastal Zone Management Act, which is to allow States to devise plans for themselves that protect their coastal zones, and you perceive or it is perceived that there is an inconsistency in pursuing the mandate of that act while at the same time leasing tracts of oil which could threaten the Georges Bank, which is the principal spawning ground for the fishing industry, not to mention the potential damage to tourism, et cetera, and there is a perceive threat by the States, as well as the EPA, how do you perceive the role of Commerce with its jurisdiction over the Coastal Zone Management Act with respect to this issue.

Mr. VERITY. Again, you have got me on a question that I don't have sufficient background. But I do feel that the coastal management system that has been established with its regional management group should be the ones who understand best what the problems are, and therefore, I would be guided by what they have until I see something that sounds more sensible.

Senator KERRY. Again, I appreciate that answer, and I intend to try to work with you closely in the time left in this administration to see if we can do just that because I think it is a very, very important issue to us.

Mr. VERITY. I will look forward to that, Senator.

Senator KERRY. My final question to you is on a larger scope. I have been active as a member of the Competitiveness Task Force on the Democratic side and very interested in that issue for a long period of time, as now many people are.

I recently, when I was back in Massachusetts, visited a fiber optics component company which is one of our many high technolo-

gy companies in Massachusetts. And we heard them talk firsthand about the very significant problems they are having and literally being written out of markets, the de-Americanization problem where because they cannot guarantee the export of their parts or even original components RFPs are being written that only allow Japanese or Germans or others to apply. And it is estimated—and I am sure you have heard this figure—that we are now losing upwards of \$9 billion a year of trade as a consequence of our export licensing problems.

Again, Mac Baldrige was very supportive of our efforts here in the Congress and fought very hard himself to change that in a constant tug of war with the Defense Department.

And we think we have made significant progress. It is progress we do not want to step back on. It is critical I think to our industry's ability to survive and to our ability to compete in the world. And we simply cannot see companies that depend on 65 percent of their sales as exports being written out of the marketplace because of our taking three years to make a decision about whether or not they can sell a component that at first blush is obviously not state of the art and somehow a security threat, et cetera.

So, my question to you—again, perhaps I am articulating a feeling as much as asking a question—is it your intention to pick up where Mac left off on this issue and to guarantee that the progress made by the Commerce Department is not going to be lost quickly or lost at all and even that we try to step up our ability to make these export licensing decisions and to move to give our companies the chance to do what they do well, which is compete.

Mr. VERITY. Well, Senator, when I was in the private sector I worked very hard to do just that, to try to get our export control system so that it was a little more favorable to the American businessman who wanted to export and had a product that was quite exportable.

I know that Mac Baldrige worked hard on this. I intend to follow in his footsteps on this one and do everything I can. I do understand—and I hope this is correct—that the export controls are now the responsibility of the Department of Commerce. It is up to us to work with Defense and State on this. But the final say is the Department of Commerce. I hope that is so because if so, that will help your problem.

Senator KERRY. It sure will. And I am delighted to hear you say that and look forward to working with you on it.

Mr. Chairman, I thank you. All I did—I put a letter in the record, and we confirmed the nominee.

The CHAIRMAN. Thank you.

Senator Pressler.

Senator PRESSLER. Thank you, Mr. Chairman.

Mr. Verity, yesterday I raised an issue with you regarding the LANDSAT commercialization issue. This issue has been languishing for too long, in my view, in indecision. Congress passed commercialization legislation in 1984, but the program's future is no more certain today than it was then.

I feel strongly that this issue must be resolved soon. I have a number of detailed questions for the record on this, not to take the

committee's time and I would like to insert an article¹ on the LANDSAT program in the record.

Let me just ask you, Mr. Verity, if you would be willing to commit to give this important issue a high priority. And how do you see the LANDSAT issue? You will be the leader on this as Secretary of Commerce.

Mr. VERITY. Well again, Senator, I only know the periphery of this subject. After talking with you, I had a chance to review it a little further.

I am convinced that the LANDSAT program is a must. The problem seems to be that it has been agreed that it should be commercialized. The problem is that we have not been successful—not we, but somebody has not been successful in getting a private company to accept this, the problem being the size of the subsidy.

It seems to me that this may be a subject that has languished somewhat. What you want to hear and what I am willing to commit is that I think it is important that it be resolved and just as soon as possible.

Senator PRESSLER. Yes. We have, as I mentioned, the Eros Data Center in Sioux Falls which receives the pictures. Of course, my interests in it are from a national point of view. I was interested in this for a long time. But I feel we are giving up the lead to the Japanese and the French and lots of other people there.

Let me ask you another thing we mentioned yesterday. I have got a source of local pride. I notice in your biographical sketch that you have a doctorate of business administration from the South Dakota School of Mines. How did that come about?

Mr. VERITY. Well, I am very proud of it, Senator. Our company was particularly impressed with the graduates of that school, and we now have many graduates in our management. One of the people who graduated from that school said I think you ought to go out and see where all these wonderful people are coming from. And I said I would love to go out sometime.

Well, we never could make a deal. And so, he finally got the school to invite me out and give a speech. And if I did that, I would also get an honorary degree. So, I visited Rapid City and was extremely impressed. I am delighted I had a chance to visit that school.

And I cannot tell you how many people from that school are in Armco now, because I've been gone too long, but we have a lot of very dedicated, bright, competent people from the School of Mines.

Senator PRESSLER. We are very proud of that school of engineering. It is one of the finest in the United States, and I am glad you had that experience.

Let me ask about one more area, and that is weather stations. They fall under the Secretary of Commerce. There have been a number of efforts in consolidation and elimination, but if you are in Huron, South Dakota, and there is a tornado coming, you would like to know about it.

What will be your involvement with the weather station issue?

¹ See "Running Landsat into the Ground," June 1987, *Across the Board* p. 40.

Mr. VERITY. Well, one of the things I did not know when I told President Reagan I would try to do this job that I would also be responsible for the weather. That was news.

But I have looked into what NOAA is trying to do to improve the weather service. And I know that they have on order and in place in some places new radar and new communication technology equipment that I think will make them far more effective than they have ever been. And being one of the people like all the rest of us interested in getting good weather reports, I philosophically can support it and will do what I can to make sure that that new equipment is put into service on time.

Senator PRESSLER. What about the Under Secretary for Tourism? The administration had wanted to eliminate that office. Will that be your position?

Mr. VERITY. Well, again, I am not in a position to say. I visited with Donna Tuttle and her group, and anyone who has that experience has got to be impressed with the enthusiasm of that department and the things they are doing.

I understand one of the problems now is there is the thought of a user fee, and this would be a dollar on every airplane ticket of a person coming into this country.

Normally I think a user fee is a good idea. I have the basic philosophy called a "toll road" philosophy that if you use the road, you ought to pay for it. And if you are not willing to pay for it, you can't use the road.

I know that this is an item of interest to this committee. There are those who feel that a user fee is not appropriate, and there are some who support it.

The administration feels that this service could be privatized. I don't know that yet, but I do feel that the present group has been doing an effective job.

Senator PRESSLER. Yes, I am very interested in seeing that under secretary post continued because I think it makes us money. I sponsored the legislation that led to its creation some years ago.

Also, I question the user fee concept.

Do you intend to use your office as a leader on tourism?

Mr. VERITY. I can say that I would support tourism. I am particularly going to support exports of materials from this country and tourism into this country.

Senator PRESSLER. Good.

I have some additional questions for the record on some of the tourism issues. But my time is over-extended, and I thank the Chairman for his indulgence.

May I say, Mr. Verity, that I shall support you. I think we are very lucky to be getting a man of your caliber to take on this job.

Mr. VERITY. Thank you, Senator.

The CHAIRMAN. Mr. Verity, you have been very responsive, and I agree with the comments of Senator Pressler. I think we are lucky. You are a man of outstanding character and ability.

And I have two things I would like to cover. I was making a list. We have two other important witnesses to hear from momentarily before lunch. So I would like to briefly try to emphasize two particular points, one with respect to using trade as a lever.

Now, you just referred to it a minute ago. They could not get you out to South Dakota, so they used leverage. And they finally got you out to South Dakota to that college of mines to see all those outstanding graduates in the school when they said they would give you an honorary degree. That's your testimony, and I understand that. And they have gotten me around to colleges the same way.

Nothing wrong with that. What's wrong is the principal proponent of trade policy in the U.S. Government saying "I don't believe in using trade as a lever."

And I don't think necessarily I am going to change this administration's mind. I noticed in the dealings that we had years ago down in New Zealand. I had led a delegation down there at the time with Senators Baker and Griffin and Culver and others when Muldoon was the Prime Minister back 10 years ago. And we got him to accept nuclear vessels, R&R—not only the subs, but the other Navy vessels coming in to New Zealand. Now, we have changed that. Lange is getting reelected on saying that there is no commitment. They just want protection of the U.S. fleet down in the South Pacific, but Secretary Shultz in the negotiations said that trade policy would not be confused or connected to foreign policy.

I think back to the time when Lyndon Johnson—he called them up on the phone in New Zealand and said we will buy all your lamb. They said fine. We will send the troops to Vietnam. That is using it as a leverage. That's business. That's trade. That's what trade and business is all about—leverage. They teach you that in freshman contracts in the law school.

And if we cannot begin to use our trade as a lever, as Jackson-Vanik has done successfully, then we are lost. So, I wish you would consider that as the principal proponent of the trade policy of the country.

Now, on another score I found in the dozen of Secretaries of Commerce that we have been through that they have a hard time being recognized at the Cabinet table—ergo the special trade representative. The Secretary of the Treasury has duties and imports and tariffs. And about the time he thinks he is in charge, the Secretary of State will come over. And if he thinks he really knows it all, if it is an agricultural product, the Secretary of Agriculture will come over, and on down the line. And our poor Secretaries of Commerce—certainly no reflection on you because you have not even taken office—have had a hard time being recognized at the Cabinet table.

And being proud of you and seeing that fine family you have moving to South Carolina, I thought maybe if you could change and be a Democrat, that Reagan would look over there and see a Democrat at the Cabinet table and it really would get his attention.

So, I want you to consider that for me too.

Mr. VERITY. Well, I think, Mr. Chairman, you have helped stiffen my back for Cabinet meetings. And I promise to try to do a little better job.

The CHAIRMAN. We appreciate it.
Senator Danforth.

Senator DANFORTH. I think your family has been so patient and looked so alert sitting through this hearing that they——

Mr. VERITY. My grandchildren were instructed to do that, Senator.

Senator DANFORTH. Rapt attention, and they would be a wonderful political audience for any of us, Senator Hollings.

The CHAIRMAN. Yes.

Senator DANFORTH. Mr. Verity, my understanding of your Jackson-Vanik answer is—and I think it was a very clear answer—that you are very concerned about emigration issues. You recognize that Jackson-Vanik is the law of the land. You will not suggest that the President repeal Jackson-Vanik. But you believe that the basic test is what works. You have in the past, as you indicated in your testimony, met with leaders of the Soviet Union on the question of emigration. You have delivered, as I understand it, to those leaders messages from American Presidents relating to emigration issues. But your own preference would be for opening up trade rather than closing down trade. And if the objective of increased emigration could be met, if that objective could be met in the context of opening markets, you would rather do that than meet it by closing markets. But one way or another the issue of emigration is going to be a top priority as far as you are concerned.

Mr. VERITY. You have said it very well, Senator. I can share totally what you have said.

Senator DANFORTH. On the question of trade as a lever, obviously Jackson-Vanik is an example where it is used as a lever. But my own view is that it can be overused. I think that trade sanctions have become surrogates so often for foreign policy. Anytime any country does anything we don't like, the immediate response for years, both from the Executive Branch and from the Congress as well, is to impose trade sanctions on that country.

The result of that is that trade has been the bargaining chip for everything. And we have always been willing to let the French have the market. They are willing to take it. Let the French or somebody else have the market because we are going to take this great stand on principle by not doing business with another country.

And I take it that your view is that while America is a country which should stand for principle, we also have commercial interests. We also have economic interests. And we have to be on the lookout for ways of taking a position as a country and standing strong as a country, but at the same time not always being the ones who are going to let somebody else have an advantage in international trade.

Mr. VERITY. I am afraid the situation has deteriorated to the point, Senator, that we can no longer afford that idea that we can let everybody else take our markets. We are really in not a war but close to it of trying to recapture markets that we have allowed to get away from us.

One of the problems with sanctions or other things is that you have made or we have made the American businessman unreliable in markets. He has made a deal, and then all of a sudden a sanction comes along and he has to abrogate that deal. And so then the next time you try to make a contract with whoever it is, they con-

sider you an unreliable trading partner. We cannot afford to be unreliable trading partners. So, in trade there are a lot of things involved.

But what this country must do is to get our business and our Congress and all others to realize that we have got to help U.S. business become fully competitive. We have got to encourage Congress to eliminate some of the barriers that are there to help us with emerging technologies and other things, and try to regain some of the markets that we gave away at a time when we did not care so much. Now we have to care.

Senator DANFORTH. Do you have anything else that you would like to say on any subject?

Mr. VERITY. I am glad that the Chairman recognizes that I am now from South Carolina. That is important to my family and important to the way I now look at things, Mr. Chairman.

Senator EXON. That may hurt you with other members of the committee.

Mr. VERITY. Well, I lived in Ohio for 68 years.

Senator EXON. How about Nebraska? Our football team?

Mr. VERITY. I admire your football team. So does Ohio State.

Senator DANFORTH. Thank you very much, Mr. Verity.

The CHAIRMAN. Mr. Verity, we thank you very, very much for your indulgence and your responses here today.

Thank you very much. That will be all for Mr. Verity.

[The question and answers follow:]

PREHEARING QUESTIONS OF THE CHAIRMAN AND THE ANSWERS

Question 1. If confirmed as Secretary of Commerce, what do you expect will be your most significant contributions to our national Policy? In brief, what goals and objectives will you bring to this Cabinet position?

Answer. If confirmed, I intend to bring to bear my business experience and my knowledge of Government to meet the challenges of this very important post. My main interests will be to carry out the objectives established for the Department by Secretary Mac Baldrige, to work toward effective trade policy, and to articulate what more is required on the part of the Government and industry to make U.S. business fully competitive in the world marketplace.

Question 2. Why do you want to be the Secretary of Commerce?

Answer. I have great admiration for the President and his policies. I would hope that I can effectively help him achieve his goals.

Question 3. As Chairman of the U.S. Chamber of Commerce, you were active in promoting President Reagan's Economic Recovery Plan. Do you believe the President's economic policies have been successful? Why or why not?

Answer. My recollection is that the Chamber's economic ideas were developed on a parallel track with those of the President. As Chairman of the U.S. Chamber of Commerce, I helped formulate, in February 1980, a program called "Let's Rebuild America!" We carried this program throughout the country, with emphasis on these key points:

1. Reduce inflation,
2. Cut taxes and government spending,
3. Reduce government regulation, and
4. Build our defenses so we could carry out our responsibilities as the leader of the free world.

We were flattered and impressed that President Reagan's campaign platform reflected essentially these same themes.

I make the point because the U.S. Chamber does not support either of the Presidential candidates.

I believe the President's economic policies have been successful, although I regret there has been so little progress in reducing government spending.

Question 4. Do you believe President Reagan's trade policy has been successful? If so, how do you explain the high trade deficits that have been accumulating since 1980?

Answer. President Reagan's trade policies have been generally successful. I agree with the President's statement in his January 27, 1987, State of the Union Address: "Our basic trade policy remains the same: we remain opposed as ever to protectionism because America's growth and future depend on trade. But we will insist on trade that is fair and free. We are always willing to be trade partners but never trade patsies."

The trade deficit in my opinion is the result of many things—but three principal ones:

1. The over-valued dollar of the early eighties;
2. U.S. business has been slow to do what it can do—if it only will—to become more competitive in the U.S. market as well as world markets. I am a firm believer that the U.S. worker is the most innovative, most motivated, and most productive in the world when the chips are down. We demonstrated that in World War II, in the Marshall Plan years, and in the Space race. I believe my most important role, if confirmed, is to help stimulate and reinforce the mind-set, as well as the government and business policies, that can restore our competitive posture here and abroad. The trade deficit can then become history;
3. Another contributor to the trade deficit that's too often overlooked is the burden of government-created or mandated costs. Our trading partners don't seem burdened by these handicaps. As a business person engaged in international trade, it sometimes seemed that our government practices tilted more toward the importer than the exporter. The Yankee Trader was the forgotten man.

There are built-in costs to U.S. products, some government mandated, some peculiar to American custom which can become barriers to utilizing American technologies and becoming fully competitive. Some of the principal items are: the cost of capital, U.S. versus foreign tax incentives, export controls, product liability and tort laws, health and safety standards and antitrust laws. We must address these problems in tandem with encouraging U.S. business to stress quality and productivity.

Question 5. When the Congress returns from the August recess, a conference committee will resume deliberations on trade legislation.

(A) What are your specific concerns about this legislation? What provisions in either the House or Senate bills do you find objectionable? Under what circumstances would you be able to support a trade bill?

(B) The trade bill as passed by the Senate includes the text of S. 907, the Technology Competitiveness Act. Secretary Baldrige and Deputy Secretary Brown both worked closely with the Commerce Committee in developing that initiative, and both expressed support for the version passed by the Senate. Do you also support this proposed legislation?

Answer. (A) As a private citizen and businessman, I have been following the progress of the trade bills in the newspapers. Through briefings given to me at the Commerce Department during the past several weeks, I am beginning to develop a better understanding of the specific provisions of the bills and their ramifications. I believe that the President holds some deep convictions about the trade bill. My role, if confirmed, will be to work with the conferees to develop the most effective trade bill possible.

(B) I am very interested in the area of technology competitiveness, and eager to become more familiar with the provisions of S. 907. I support the position of Secretary Baldrige and Deputy Secretary Brown and I look forward to working with members of this Committee and other members of the Congress on this issue as the trade legislation is considered in Conference.

Question 6. You were elected President and Chief Executive Officer of Armco in 1965 and Chairman of the Board in 1971. According to your biography you "spearheaded Armco's diversification into non-steel businesses."

(A) Please give details of the types of non-steel businesses you were involved in while at Armco.

(B) Is it true that Armco has sold off important parts of your diversification project, namely the insurance and oil businesses? If that is true, was the diversification plan unsuccessful?

Answer. (A) As Chief Executive Officer of Armco, I did embark on a program of diversification. Our strategy was to continue Armco's research-based leadership in specialty and coated steels, but to diversify into other materials and services as a means of increasing the return to our shareholders.

Our diversification began with increasing our investment in oil drilling and equipment business; acquiring a producer of advanced composite materials, mostly

carbon-based; entering the titanium production business, and later the fabrication of titanium and superalloy materials. Armco also began leasing and other financial services businesses, greatly expanded its insurance business, acquired design and engineering firms, and diversified the products within its 32 overseas manufacturing and fabricating plants.

(B) After an extended period of profitability in all of these lines (Armco enjoyed 7 straight record-breaking profitable years), a severe downturn of the oilfield business and the casualty insurance and reinsurance businesses arrived almost simultaneously with the even more severe depression in steel. Armco found it necessary to sell off many of these assets, and cease operation of others, including two large steel plants.

My own view is that the diversification plan was highly successful, and in retrospect, helped the company survive. Armco led the industry in growth and profitability throughout the 1970's, and was a healthy company when I stepped down as CEO in 1979. When I retired as Chairman early in 1982, the company had just completed its most profitable year.

Question 7. How do you see the future of the American steel industry? Do you agree with some in the Administration who believe older, smokestack industries can be phased out and replaced with service industries?

Answer. The American steel industry is working hard at rebuilding its competitiveness. It will take time. It will also require a working partnership with the government. It has already achieved a dramatic turnaround in productivity and today leads the world in manhours per ton.

Smokestack industries have an absolutely vital role in our economy. Unless America has a strong, healthy manufacturing sector, it cannot fulfill its mission as the economic and spiritual leader of the free world. The basic industries are the foundation for our defense, for our transportation infrastructure, and for emerging industries. In fact, a surprising amount of emerging technology first is applied in basic industry.

Question 8. How do you see the future of the American textile industry? Can America afford to lose it? What role should government (and particularly the Commerce Department) play in preventing its demise?

Answer. If a picture of the future can be drawn from the past four or five years, then the textile industry's future is bright. American ideas and American know-how have been the soul and heart of the textile industry throughout this century.

From briefings that I have received, I believe that we are on the right course. It is my understanding that the Administration, operating within the Multifiber International Arrangement, has been negotiating and implementing some tough agreements and has slowed substantially the growth of textile imports.

Question 9. While you were Chairman of the Board at Armco Steel, Inc., the company admitted that it had made \$279,000 in improper campaign contributions and more than \$1.7 million in improper payments to overseas customers.

(A) Please summarize the circumstances surrounding these illegal payments. At what point did you become aware of them?

(B) It is the Committee's understanding that Armco hired an outside counsel to investigate these payments. Will you make the findings of that report available to the Committee?

Answer. (A) By separate submission, I have provided the Committee with the details of the payments, which were improper, not illegal. In their zeal to help worthy causes in Armco plant communities, some employees overlooked our own ethical standards in making political contributions. The same violation of company ethics occurred with respect to the foreign payments. I had no knowledge of these payments at the time, and their disclosure resulted from an inquiry that I initiated. I will be happy to discuss this matter further with the Committee.

(B) Outside Counsel did investigate these payments. The findings were made available to both the FBI and the Securities and Exchange Commission in 1976. I have no personal objection to the sharing of those findings with the Committee.

Question 10. Considerable attention has focused on your views regarding U.S.-Soviet trade and your past chairmanship of the U.S.-U.S.S.R. Trade and Economic Council.

(A) What advantages do you see to increased trade between the United States and the Soviet Union? What disadvantages?

(B) Is it possible to carry out expanded trade with the Soviet Union and still provide assurance that sensitive technologies with potential military uses not fall into Soviet hands? If so, how can this be accomplished?

(C) What are your views on trade in items which the Soviet Union is already purchasing from other industrialized democracies? The Committee is particularly inter-

ested in your comments on the recent selling of sensitive equipment to the Soviet Union by Toshiba Machine Corporation of Japan and Kongsberg Vaapenfabrikk of Norway. Do you support a ban on Toshiba products as has been suggested by some legislators? In this regard, what steps, if any, do you believe are necessary to strengthen the Coordinating Committee on Multilateral Export Controls?

(D) Do you believe there are or could be any circumstances in which the United States should require changes in Soviet behavior as a precondition to expanded trade between our two countries? If so, on which areas of Soviet behavior should this linkage policy focus and how should it be carried out?

Answer. I have been associated with the US-USSR Trade and Economic Council since its founding in 1973-74, first as a director, and then as Co-Chairman from 1977-84. The Council was formed by the Department of Commerce to help implement the policy established by President Nixon.

(A) Ongoing trade requires benefits to each party. Among the advantages to us are the creation of jobs in the United States as a result of such trade and a reduction in our trade deficit.

Stimulating consumerism in the Soviet Union produces pressures there which positively affect our national interests. And, increased personal contact and exchanges with Soviet managers, which lets them compare the freedom of our system versus the mind-numbing bureaucracy of theirs, will always have a beneficial impact.

(B) Disadvantages to trade with the Soviet Union are centered in the high technology products which could aid their military efforts. I am opposed, and I have always been opposed, to providing the USSR or satellites with such high technology. I have supported export controls of all such items, and believe that we must do more to assure closing all avenues for such sales or exchanges. The Commerce Department's efforts to establish effective export controls will be strengthened by the establishment of this effort in the office of the Under Secretary of Commerce October 1, 1987. It has my full support. I will also work closely with Secretary Weinberger and Secretary Schultz to ensure that our actions in this area are consistent and effective.

I, like many Americans, was shocked that Toshiba and Kongsberg had supplied machine tool equipment to the Soviet Union that would aid them substantially in submarine warfare against the United States. This is the kind of thing we cannot tolerate and we must do all we can to eliminate the chance of it happening again.

I do not support the ban on Toshiba products. This is a matter that should be handled government-to-government. I believe it is the job of the Japanese Government to make certain that policies are established which will eliminate such matters from occurring again.

I believe strongly that effective export controls are only possible within an active multinational policy. COCOM is the only structure we have to achieve this—I will work to strengthen COCOM in every way possible.

(D) Whenever any party sets pre-conditions to an agreement, a mutually satisfactory settlement is hard to reach. This difficulty is compounded when one of the parties cannot relate the precondition to the matter under negotiation. There have been times when the United States has attempted to change Soviet behavior as a pre-condition—and at least once as a post-condition—to expanded trade. Such linkage has not been productive. Certainly trade is a part of the fabric of our total relationship and every part affects the other—if relations improve, trade will benefit and so will emigration policies.

I believe it is an appropriate moment to express my view that human rights is an important factor in our relations with the Soviet Union. Americans cherish human rights and signers of the Helsinki Accord on Human Rights should live up to that agreement. As to my view on the Jackson-Vanik amendment to the Trade Act of 1974, I recognize that Jackson-Vanik is the law of the land and I can assure the Congress and the Administration that I shall uphold it. I am firmly convinced, however, that cooperative actions and initiatives, such as substantial increases in Jewish emigration from the Soviet Union, could lead to a waiver of some of the limitations to trade.

Question 11. In June the Deputy Secretary released a study entitled "The Status of Emerging Technologies: An Economic/Technological assessment to the Year 2000." The study identified seven major groups of emerging technologies that will result in new products or processes in the 21st century, and then identified barriers to their commercialization.

(A) What role do you believe that the Commerce Department should play in helping U.S. industry overcome these barriers and commercialize these technologies?

(B) What roles will you, the Office of Productivity, Technology, and Innovation, and the National Bureau of Standards play in these efforts?

Answer. (A) I strongly believe the Commerce Department should take the leading role in helping U.S. industry commercialize emerging technologies, including offering advice and assistance in overcoming barriers to such commercialization.

(B) If confirmed, I intend to be personally active in support of a leadership role for the Department of Commerce, and I intend to bring all the resources of the department to bear in helping industry commercialize these technologies.

Question 12. This year the U.S. semiconductor industry has proposed the creation of a joint Federal-industry initiative known as the Semiconductor Manufacturing Technology Project ("Sematech"). Although the President has requested some Defense Department funds for semiconductor research, the Administration has yet to take a clear overall position on the Sematech proposal. What are your personal views regarding Federal support for Sematech, especially Commerce Department support, and when exactly will the President take a position on this issue?

Answer. Because I am still a private citizen, and not a member of the President's Cabinet, I cannot tell you when the President will take a position on this issue. I can tell you, however, that my personal view is that the only way to solve the problem of some industries is through an industry-government partnership. Through that partnership, both parties may bring resources to bear on solving those problems that keep an industry from becoming competitive.

Question 13. The President's July statement on superconductivity directs the Commerce Department to establish a Superconductivity Center at the National Bureau of Standards laboratory in Boulder, Colorado. What kinds of research will the center conduct? In particular, will it focus on developing the precise quality assurance methods necessary for the successful commercialization of superconducting materials?

Answer. I have not had an opportunity to fully consider this issue. It is my understanding that the Department's current plans call for the Center to manage and coordinate several NBS programs and focus them toward supporting private sector efforts to commercialize conducting electronic products. Its major thrust will be on quality assurance methods, with particular emphasis on characterizing materials, manufacturing processes, and final products.

Question 14. Last year, with the assistance of the Commerce Department, Congress passed the Federal Technology Transfer Act. This statute allows and encourages Federal agencies to permit their government-operated laboratories to enter into cooperative research agreements with U.S. industry, the states, and universities. Under the Act, the Commerce Department can provide technical assistance to other agencies and will prepare a report every two years. In your judgement, have the Federal agencies, industry, and the states shown interest in using this authority to develop new research partnerships? If not, how can such interest be generated?

Answer. I have been told by Commerce Department employees that the Department is seeing a great deal of interest in the Federal Technology Transfer Act. This interest was stimulated by the President's April 10, 1987, Executive Order entitled "Facilitating Access to Science and Technology," and by the recent breakthrough in superconductivity. I am also told that the Department has been receiving a steady stream of inquiries from private sector firms interested in contacting federal laboratories. I understand that the department has also been talking with many states which are interested in integrating federal facilities in their economic development plans.

During my briefing at NBS, the director of that agency made a very revealing statement. He said that under the Federal Technology Transfer Act, government and business can be partners rather than adversaries.

Question 15. Last year Congress also passed the Japanese Technical Literature Act. The President signed it into law on August 14, 1986. We have three questions about this program and related matters.

(A) The Act directed the Secretary of Commerce to transmit, within one year of the date of enactment, a report on Federal activities to collect, abstract, translate, and distribute unclassified Japanese scientific and technical information. When exactly would you, if confirmed, plan to transmit the report to the Congress?

(B) When will Congress see the first of the annual reports on Japanese science and technology also called for in the Act?

(C) In April the President issued Executive Order 12591, which, among other provisions, says: "The Secretaries of State and Commerce and the Director of the National Science Foundation shall develop a central mechanism for the prompt and efficient dissemination of science and technology information developed abroad to

users. . . " If you are confirmed, what steps would you and the Department take to comply with this directive?

Answer. I am informed that there has been a delay in sending this report to the Congress. I do not know the reason for this delay. It is my understanding that it is now due on November 30 and if confirmed, I will make certain it is in your hands on that date.

Question 16. The Office of Management and Budget has proposed to "privatize" the Department's National Technical Information Service (NTIS). However, OMB has yet to present a convincing rationale for this proposal. It cannot save the government money, since the publications side of NTIS is already self-supporting. Nor is the proposal likely to improve service, since a for-profit contractor will charge higher prices and may drop some lines of publications. What is your personal view on this proposal?

Answer. I understand that Commerce staff is presently analyzing options before deciding what to do. Until that is complete, the only position I can take is the same one Mac Baldrige took: "We will only do it if we are satisfied that it makes sense and is a good deal for both the Government and end-users. We certainly do not want to jeopardize our goal of disseminating technology to the private sector."

Question 17. While we are all very interested in the trade aspect of the duties of the Secretary of Commerce, half of the Department's budget funds the activities of the National Oceanic and Atmospheric Administration (NOAA). As you know, NOAA administers most the nation's civilian oceanic and atmospheric programs. Please outline your primary goals and priorities for NOAA over the next 18 months, assuming you are confirmed.

Answer. Before my Commerce Department briefings began last week, I was not familiar with the depth and scope of the National Oceanic and Atmospheric Administration. I was impressed both by what that agency does and the caliber of its people. I am learning more about this bureau and its vital agencies and if confirmed, I intend to do what is necessary to strengthen their efforts in carrying out their respective missions.

Question 18. In the 1970's, Reserve Mining Company was involved in a protracted legal battle with the United States government and various state agencies and citizens groups over the dumping of industrial waste into Lake Superior by the company's E.W. Davis Works at Silver Bay, Minnesota. Reserve is a jointly-owned subsidiary of Armco Inc. and Republic Steel Corporation, and, in addition to your duties as Chairman of the Board of Armco, you served as Chairman of the Board of Reserve.

(A) We understand that despite considerable scientific evidence to the contrary, Reserve Mining Company was insistent throughout this court battle that its discharge of taconite tailings into Lake Superior did not create a health hazard. Do you personally believe this today? Was the Government's effort to halt the discharge unnecessary?

(B) NOAA is responsible for assessing pollutants in our marine environment. Can you assure the Committee that the position taken by Reserve in that case (that its discharge did not constitute a health hazard) will not be reflected in NOAA's assessment programs or result in the agency's understatement of marine pollution?

(C) Do you believe that, in general, the federal government has become too involved in restricting industrial development along the nation's coastal areas (including the Great Lakes)? What is our view of the Coastal Zone Management Program in NOAA, which will be under your jurisdiction if you are confirmed as Secretary of Commerce? What are your plans for this program for the next 18 months?

Answer. The chairmanship of Reserve Mining rotated each year to the CEO of Armco and Republic, since the companies were equal partners. Let me say here that in one sense, this discussion is moot since Reserve Mining is closed.

(A) Just a bit of history on Reserve. Armco and the University of Minnesota's Dr. E.W. Davis started research on the utilization of taconite rock on steel making in 1922. When it became apparent in the late 1930's and early 1940's that this might be a feasible technique, Armco and several others formed Reserve Mining Company. Eventually, the ownership narrowed to Republic and Armco.

Reserve Mining then developed the technique to mine and pelletize taconite ores which led to a system which doubled the pig iron capacities of blast furnaces in the United States and that technique was eventually used by everyone in this country.

In the late 1940's after several years of study, the State of Minnesota and the Army Corps of Engineers granted Reserve a permit to construct a pelletizing plant at Silver Bay, Minnesota, where taconite rock was crushed and then pelletized, with the waste rock discharged into Lake Superior. At that time, it was deemed to be the most satisfactory method of disposing of waste rock, since there was a large, deep

(700 feet) trough just off the shores of Silver Bay. This was done with the approval of the appropriate permitting agencies.

By 1970, public concern for the environment had taken quantum leaps. Various entities wanted Reserve out of Lake Superior. Reserve Mining had developed a system to dump the waste rock into the thermocline which would force the tailings to slide into the deep trough off Silver Bay. It was Reserve's belief, and that of many experts, that this would be the most satisfactory method of disposing of the waste rock. The issue in the early 1970's then became whether this plan was the best or whether the material should be put on land. Several states, joined by the Environmental Protection Agency, took Reserve to court to settle this issue. During the trial, it was claimed by some that the discharge was a hazard to health because included in the waste rock were fibers similar to asbestos.

Reserve had monitored the water around Silver Bay since startup. There never were any findings of a health hazard. As the trial progressed, it became clear that the issue was simply dumping anything into Lake Superior.

Reserve did develop a closed circuit system for disposing of the tailings on land, whereby none of the tailings would reach Lake Superior.

In the final days of the trial, we offered such a plan in the hopes of settling the case. It was not acceptable to the court and the court then shut down the plant.

Three days later, it resumed operation as a result of the Appeals Court decision that there was no proof of an imminent health hazard, and that no harm to public health had occurred. The trial then resumed under a new judge.

In today's world, Reserve Mining would never get a permit to dump large quantities of anything into Lake Superior, even distilled water. As we have become more knowledgeable about cause and effect in the environment, many of our perceptions change. Further, having learned the hard way how the people around Lake Superior feel about their lake, a responsible company would not even consider applying for such a permit.

(B) I can assure the Committee, without qualification, that I will support NOAA's assessment program, and will not permit the agency to understate marine pollution.

(C) I am just beginning to learn the details of the Coastal Zone Management Program, but from what I have learned I support its continuation and hope to make certain that it is effectively administered.

Question 19. NOAA's Administrator, Dr. Anthony Calio, will be leaving the agency in the near future to take a position in the private sector. His loss will leave NOAA, an agency with highly specialized technical responsibilities, without scientific leadership. The Commerce Committee has traditionally stressed the need for NOAA's leaders to possess considerable knowledge about the agency and its specialized oceanic and atmospheric activities. What kinds of qualities and background do you consider important for candidates for the position of NOAA Administrator?

Answer. NOAA has highly specialized technical responsibilities. Its Administrator should have some science background, but, given the diversity of its operations, should also have a strong management background. I have been impressed with Dr. Calio and hope his successor will be an individual of equal talent.

Question 20. The Committee is concerned over previous attempts by the Administration to dismantle portions of NOAA by contracting out certain activities. What is your personal philosophy as to the types of government services which should be transferred to the private sector? May we have your assurance that Congress will be notified prior to any such contracting out of activities within NOAA?

Answer. On the whole, I believe the contracting-out is a necessary element of sound management. Reliance on the private sector, in appropriate cases, can enable government to provide services to the taxpayer at lower costs. You have my assurance that Congress will be notified prior to any contracting-out of activities within NOAA.

Question 21. NOAA's growing costs for continuing the operation of our essential environmental satellite system, together with tight budget ceilings on civilian agency appropriations, has put a tremendous squeeze on NOAA ocean and fisheries programs. Do you have any plan for dealing with this problem?

Answer. Based on my present level of knowledge, I have no way of answering this question. If I have learned one thing from my briefings this past week, it is that NOAA is large and highly complex organization with many important programs. Until I have better understanding of NOAA's budget and all of its various programs, I am reluctant to provide you with a definitive response. I would be happy to advise the Committee, however, on this issue at a subsequent date.

Question 22. Perhaps the most controversial question facing the Census Bureau as it prepares for the 1990 Census is whether the official population counts will be adjusted to correct the undercount. The Census Bureau has informed the Congress

that while the decision has not yet been made as to whether an adjustment will be performed, it will proceed with further testing of adjustment-related methodology (i.e. the post enumeration survey) and will calculate the undercount in 1990, whether or not the official census figures are adjusted. In this regard, please tell us:

(A) What role, if any, will the Department of Commerce play in making the determination as to whether an adjustment should be conducted?

(B) Can you assure us, as Commerce Secretary-designate, that the decision on adjustment will be made strictly on statistical, technical, and operational grounds, without any consideration as to political or partisan objectives or concerns?

(C) In light of the Census Bureau's announced intention to conduct a full-scale post enumeration survey in 1990, regardless of the final determination on adjustment, will the Department support this decision by requesting the necessary funds in its fiscal year 1989 budget for the Bureau? If not, why not?

Answer. It is my understanding that the Department's intention is to conduct the most accurate census it can in 1990. I am told that the Census Bureau's responsibility for data-gathering has always been free of political influence and if confirmed, I intend to continue that tradition.

I can say that I have met with the top officials of the Census Bureau and that I am very impressed by the caliber of people who work there.

They reviewed with me their plans for the 1990 Census. I believe they have developed credible plans for this undertaking. They are meeting time targets of a very exacting schedule. Additionally, I was impressed with the competence, experience and enthusiasm of the Director and his staff.

POSTHEARING QUESTIONS OF THE CHAIRMAN

Question 1. In recent years, NOAA has provided critical scientific and technical expertise to national and international policy deliberations in areas such as stratospheric ozone depletion, global climate change, and fisheries management. For example, the President's Office of Science and Technology Policy (OSTP) recently created a Committee on Earth Sciences, to be chaired by then-NOAA Administrator, Dr. Anthony Calio. Strong leadership is essential for NOAA to carry out these interagency and international responsibilities.

(A) What actions are being taken at the present time to provide a timely replacement for Dr. Calio?

(B) In addition, the position of Chief Scientist at NOAA has remained vacant since it was created. If you are confirmed, what commitment can you make to finding a well-qualified individual to fill that position?

Answer. (A) The appointment of Dr. Calio's replacement is the responsibility of the White House. The Commerce Department will work with the White House to identify an individual to replace Dr. Calio with all possible speed.

(B) If confirmed, I can assure you that I will look for the best qualified individual to fill that post. I have been informed, however, that the White House has identified an individual to fill the position of Chief Scientist for NOAA, and that the FBI should complete the security review shortly.

Question 2. NOAA has a number of programs such as Sea Grant, that engage in or providing funding for ocean and atmospheric research. During your tenure as Secretary, what priority will you assign to Federal funding for scientific research?

Answer. I have been impressed by what I have learned of NOAA's scientific research programs relating to an array of environmental phenomena. I support the President's philosophy that the States and private interests should undertake the research that is of specific benefit to them, that the Federal government should focus its resources on research that may be of national benefit.

Question 3. There are indications that NOAA's OCRM may try to penalize states that take strong stands on Outer Continental Shelf energy development—states such as Alaska, California, and Florida—by threatening to disapprove CZMA programs and cut-off funding. What is your position on such efforts?

Answer. I do not have enough information to know whether NOAA is threatening to penalize certain states. I can assure you, however, that if confirmed as Secretary of Commerce, I will do all I can to make certain that the Coastal Zone Management Program is fairly and effectively administered.

Question 4. The FY 1987 Supplemental Appropriations Act Conference dealt with two issues of particular importance to me and the members of this Committee. The first issue is the commercialization of the Land Remote Sensing Satellite System (Landsat).

(A) Please bring the Committee up to date concerning the status of the funding plan for the procurement of a two satellite system for Landsat.

(B) When did the Department of Commerce submit its recommendations concerning this plan to the Office of Management and Budget? And what were the principal provisions of the Department of Commerce proposal?

(C) Will the final Administration plan be submitted to the House and Senate Committees on Appropriations in time for their consideration prior to the commencement of the new fiscal year on October 1, 1987?

(D) Will NOAA request the \$30 million required for the operation of Landsat 4 and 5 in FY 88 or is OMB requiring the Department to absorb this expense by using funds requested for Landsat satellites?

Answer. I am informed that the Department of Commerce plan for continuation of the Landsat Commercialization Program was submitted to OMB on August 19, 1987, and is now under review at that agency. When that review is completed, appropriate Committees of the Congress will be advised, and we will discuss all related issues at that time.

Question 5. Another issue dealt with in the FY 87 Supplemental Appropriations is the procurement of commercial launch services for the geostationary weather satellites—I, J, and K. First, let me indicate that I have been pleased with the cooperation between NASA and NOAA in procuring commercial launch services for the GOES launches. The transition appears to have gone quite well and it reflects the commitment of both agencies to the GOES program.

(A) Would you please inform the Committee of the Department's and OMB's current position with regard to the GOES procurement language in the FY 1987 Supplemental concerning the "written certification" that Commerce has enough funds in FY 1988 for commercial launch services or the requirement that a FY 88 budget amendment requesting the required funds be submitted? When will an action be taken on one of these requirements?

(B) When does the Department intend to enter into a final contractual agreement for commercial launch services for GOES I, J, AND K? What will be the assumed launch dates of these vehicles?

Answer. I cannot answer these questions based on my personal knowledge. I am told that as soon as the funding requirements for GOES launch services are determined during the ongoing procurement process, a decision will be made as to how to satisfy the requirements of the FY 87 supplemental appropriations bill.

Question 6. Over the years, the National Weather Service, within NOAA and the Department, has been a leader in developing modern weather forecasting services. I am disturbed by recent newspaper reports which state that U.S. weather forecasters are lagging behind European competitors in improving midrange (3-6 day) weather prediction.

(A) Why is the U.S. forecasting ability lagging behind?

(B) Will the currently planned modernization of the Weather Service (NEXRAD and AWIPS) improve U.S. competitiveness in weather forecasting?

(C) What are other major programmatic or equipment needs required to improve our predictive capabilities?

Answer. I am told that the National Weather Service forecasting capability exceeds that of Europe in all areas except that of the medium range, large-scale weather situation. Apparently, the U.S. concentrates on providing warnings of severe weather and flash flooding and short-term forecasts, critical to protect the life and property of our citizens. In contrast, Europe has concentrated on the prediction of large-scale weather systems, and it has a state-of-the-art supercomputer system devoted to this forecasting problem.

POSTHEARING QUESTIONS OF SENATOR ROCKEFELLER

Question 1. Japanese Translation Program.—Last year, Senator Baucus and I authored the Japanese Technical Literature Act. This Act, which was signed by the President, required the Department of Commerce to create a special office to translate Japanese technical materials and to prepare an annual report describing important technical trends in Japan. I introduce this bill to increase the availability of Japanese research and technical information in the United States. To date, the information flow has been a one-way street—to our great disadvantage.

Unfortunately, the implementation of the Japanese translation program at the Department of Commerce has been a great disappointment. A September 8 Washington Post article says that the Japanese translation program has "yet to have

much impact." It describes the limited staffing, low budget, and slowness of the Commerce Department in opening the Japanese translation office.

Can I count on your support for this program and your vigilance in the implementation of the Act that passed over one year ago?

Answer. Yes, you can count on my support for the rapid implementation of the Act.

I am told by staff that during the first week of October, the Department will transmit to Congress a "Director of Japanese Technical Resources." The Directory will contain listings of commercial services, Government programs, and Government-funded translations of Japanese Technical Information.

I am told there are also two reports being prepared on Japanese innovations. The first report, "Recent Technical Activities in Ceramics and Semi-Conductors Science at Selected Japanese Laboratories" should be issued by October 15, 1987. The second report entitled, "Factory Automation in Japan" should be issued by December 15, 1987. You will also receive the much more detailed report to Congress on Federal activity under the Japanese Technical Literature Act by November 15, 1987.

Question 2. When I was Governor of West Virginia (and now as Chairman of the Foreign Commerce and Tourism Subcommittee), I saw first-hand the economic benefits that our states derive from the promotion of travel and tourism. There is a small but extremely effective agency within the Commerce Department that is devoted exclusively to the promotion of the United States as a travel destination for overseas visitors. Repeatedly, the Administration has recommended the elimination of this agency—and the Congress has rejected the Administration's recommendation. This year, for the first time, the Administration appears to have recognized the value of this agency by including the continuation of USTTA in the President's budget (albeit through a user fee).

Do you believe that it is a legitimate role of the Federal Government to promote travel to the United States? If yes, what do you think that role should be?

Answer. Yes. The Federal Government should work with foreign governments and state and local governments to increase exports of goods and services in tourism. Among other things, it should assist states, cities, and industry firms to market their products abroad, thereby increasing the U.S. share of the international organizations to reduce international barriers to travel and tourism.

Question 3. Extension Program.—In June, Senator McCain and I introduced a bill, S. 1319, aimed at helping small businesses gain access to new technological research. This bill would establish an Office of Technology Extension Services within the National Bureau of Standards, as well as a small, pilot project grants program to assist states in their efforts to transfer technology. An amended version of my bill was included in the Senate trade bill. Do you support the technology extension program that is included in the Senate trade bill?

Answer. I am not familiar with the details of the technology competitiveness bills before Congress, but I am very interested in ways that the Commerce Department can help small businesses get access to new technology to improve their business development and world market competitiveness. If I am confirmed as Secretary of Commerce, I will be looking for ways to further those objectives.

POSTHEARING QUESTIONS OF SENATOR BENTSEN

Question 1. We are a debtor nation. The President's negotiating authority runs out in less than four months. Our trade policy is not well coordinated. I think these circumstances require enactment of a trade bill this year. Do you think we need a trade bill this year?

Answer. I believe that we need a trade bill, and if confirmed, I will work with conferees to produce a trade bill the Congress can support and the President can sign.

Question 2. I have the impression that some people in the Administration believe we should not try to solve a trade problem unless we can call another country "unfair." With your experience in the steel industry, where we have tried to solve the problem in part through voluntary restraint agreements and in business generally, would you say that all of our trade problems can be solved by calling other countries "unfair," or will we need some affirmative efforts at adjustment, such as improvements in section 201?

Answer. On the whole, I also agree with the Administration that, so long as trade is fair, it is beneficial. If it's unfair, we need to take strong action to counter its effects on our industry and to discourage its recurrence. The Commerce Department has done an excellent job in this regard in the administration of the antidumping

and countervailing duty program, and I would continue its work along these same lines.

I believe that we do need reform in our trading system to enhance our ability not only to solve the variety of trade problems which face us, but also to prevent them from arising in the first place. I understand that the Administration will advocate specific reforms in the new GATT round, particularly in the areas of services, investment, and agriculture, which are critical areas for the United States. As Secretary, I would certainly give our efforts in that forum high priority.

Question 3. I noted that Ambassador Yeutter was quoted earlier this month as saying that the Administration's forecast for reducing the trade deficit by \$20 to \$30 billion this year looked "increasingly at risk." In other words, the United States is unlikely to achieve any major reductions in its trade deficit this year. Would you agree?

Answer. Department analysts tell me that it is unlikely that we will see an improvement in the nominal value of the merchandise trade deficit by year end, particularly in light of unfavorable price developments for petroleum prices in recent months.

In volume terms, however, an improvement has already taken place since last summer, particularly on the export side. I am told that between 1986 third quarter and 1987 second quarter the real deficit (in 1982 dollars) actually shrank by one-fifth (\$30 billion), and that real exports rose at an annual rate of 9 percent while imports decreased by 2 percent.

Question 4. I recently received a letter from Robert L. Whitacre of Katy, Texas, regarding the discontinuance of a Commerce publication known as the "Top Bulletin," a weekly publication of export opportunities. Mr. Whitacre pleads that this publication is vital to this business. Is this publication going to be discontinued, and if so, can you report to me in written form the reasons for its discontinuance?

Answer. I cannot answer your question based on personal knowledge. I am told, however, that the "TOP Bulletin" has recently been discontinued in favor of an improved method of distributing export opportunities. The Journal of Commerce now publishes all Department of Commerce export opportunities every work day on their new Trade Page. This method of distribution has the advantage of providing leads on a daily basis rather than weekly, thereby improving the ability of U.S. businesses to compete for the business which these leads represent.

Apparently "TOP Bulletin" subscribers recently received a letter from the Department of Commerce that explained this change in distribution and offered subscribers the opportunity to request a refund or to transfer the remainder of their subscription to the Journal of Commerce. Commerce "TOP Bulletin" subscribers also received trial subscriptions to the Journal of Commerce.

Mr. Whitacre may not have received this letter. The Department will contact Mr. Whitacre directly and tell him how he can receive trade leads each day by subscribing to the Journal of Commerce. I am told he will receive a discount rate from the Journal of Commerce if he mentioned that he was a "TOP Bulletin" reader.

Question 5. There has been a lot of discussion in the Senate of the huge Kansai international airport project in Japan. I understand that Commerce Department officials have been meeting with the Japanese—thus far unsuccessfully—to try to open the door for U.S. firms to compete for work in this project just as Japanese firms can freely compete in this country. Do you plan to continue those discussions? Do you believe that Japan should offer greater opportunities for U.S. firms to participate in such projects in that country?

Answer. I understand that the Japanese have offered to make some changes in their procurement system on Kansai, but the U.S. Government has made it clear to them that their offers do not go far enough. There is no question that our firms should be able to compete for construction business in Japan. We should continue negotiations with the Japanese until U.S. firms are given a fair opportunity to compete for construction contracts on the Kansai airport and other major projects in Japan.

Question 6. Mr. Verity, Secretary Baldrige initiated a program of cooperative fishery management based on sound scientific evidence of designed to promote conservation and protect state management of philosophies where appropriate. Do you intend to continue this approach?

Answer. It is my intention to continue the fisheries management program within the guidelines of the Magnuson Fishery Conservation and Management Act, and in conjunction with the Regional Fishery Management Councils. As I said at my confirmation hearing on September 10, 1987, these councils are doing the best job they can for their regions, and should be supported.

Question 7. Mr. Verity, the Under Secretary for Oceans and Atmosphere's Tony Calio, that has recently resigned. Do you intend to fill this vacancy, and if so, what kind of a background and credential are looking for in a new Under Secretary?

Answer. I will work with the White House to find a successor for Dr. Calio. I believe it is important that this individual not only have some science background, but also a strong management track record in order to direct an organization as diversified as NOAA.

Question 8. US/Soviet Trade.—You have been a longtime advocate of increased trade between the United States and the Soviet Union. What are the terms and conditions, the limits, which you believe should govern that trader?

Do you favor any changes in the Reagan Administration's current policies regarding trade with the USSR?

On balance, do you think the United States has been helped or hurt by our trade with the Soviet Bloc during the past decade and a half?

Many recent examples of Soviet acquisition of sensitive technologies involved countries other than the United States. What do you plan to do to strengthen multilateral controls on highly sensitive technology trade? What do you think is the best way to improve western cooperation on such matters?

Answer. I believe the United States has benefitted from trade with the Soviet Union and other Communist countries in terms of jobs, profits, and our trade balance. By its very nature, ongoing trade requires economic benefits to each party. Through our unilateral and multilateral export controls, we must ensure that this trade is nonstrategic and does not include export of high technology which could aid the Soviet military.

I have supported the Administration's policies encouraging nonstrategic trade with the Soviet Union. If progress continues in expanding the U.S.-Soviet dialogue, on arms control, and human rights, it may be possible to do more in the future to encourage increased trade.

I believe the U.S. Government should work with our Allies in COCOM to ensure a level playing field for American firms and continue our talks with other Free World countries to close off non-COCOM sources of high technology. One of the best moves we can make to improve Western cooperation is to shorten the list of controlled items by removing low-level, non-strategic items. This would make it more enforceable and increase industry support of our controls.

Question 9. Government/Industry Partnership.—In one of your answers to Chairman Hollings' questions, you say "the only way to solve the problem of some industries is through an industry-government partnership."

(A) In your opinion, is the SEMATECH proposal for semiconductor research an example of where such a partnership would be worthwhile?

(B) Are there other industries or technologies where you foresee benefits from that kind of cooperation?

Answer. The U.S. Government has traditionally been a strong supporter of the U.S. semiconductor industry. Government and industry have worked closely to solve unfair trade practices. I have not yet decided whether the Government should be a partner in the SEMATECH consortium, but I am told that the Cabinet is currently reviewing this issue.

Question 10. One issue that we have tried to deal with on the omnibus trade bill is the circumvention of our trade laws, particularly the antidumping and countervailing duty laws that fall under the responsibility of the Secretary of Commerce. The Senate has tried to address this problem in a flexible, but effective, manner. But I become concerned when I hear about situations where circumvention appears to be blatant.

Recently, I learned that an antidumping order on imports of Korean photo albums is apparently being circumvented through a number of other Asian countries, in particular Taiwan, Hong Kong, and Singapore. Are you familiar with the photo album case? What steps would you take as Secretary of Commerce to prevent such circumvention of our trade laws, in this particular case and in general?

Answer. I am not familiar with the Korean photo album case. However, I believe that vigorous enforcement of the United States' trade laws is our best insurance against the adoption of protectionist solutions to this country's trade problems. If confirmed as Secretary of Commerce, I would be personally committed to ensuring strict compliance with those trade laws and orders for which the Commerce Department is responsible.

POSTHEARING QUESTION OF SENATORS DANFORTH AND PACKWOOD

Question 1. At its meeting this summer, the International Whaling Commission (IWC) adopted resolutions calling upon Iceland, Japan and the Republic of Korea to refrain from killing whales for their proposed scientific research programs. The Pelly and Packwood-Magnuson Amendments provide for sanctions against nations that are certified by the Secretary of Commerce as conducting whaling operations that diminish the effectiveness of the IWC. Will you, if confirmed as Secretary of Commerce, certify Iceland, Japan, and the Republic of Korea if they kill whales despite the IWC's resolutions? Will you certify any nation that imports any such whales?

Answer. I intend to continue the policies established by this Administration and do everything I can, including, as necessary, certification, to encourage compliance with the International Whaling Commission conservation program. We are currently working with Iceland to gain their agreement to satisfy the Commission's resolution for the remainder of their ongoing 5-year program. If the Governments of Japan and Korea do not agree to the recommendations made to them this year by the International Whaling Commission, the next step will be certification.

POSTHEARING QUESTION OF SENATOR PRESSLER

Question 1. In 1979, President Carter transferred operation of the U.S. civil land remote sensing spacecraft (Landsat) from NASA to NOAA. In July 1984, the U.S. Congress passed enabling legislation—Public Law 98-365, the U.S. Land Remote-Sensing Commercialization Act of 1984—which permitted commercialization of the Landsat program.

(A) The Landsat commercialization initiative was an outgrowth of a Presidential speech given in March 1983. The legislation, a protracted negotiation, and budget authority granted in a 1985 Supplemental Appropriations Bill led to a contract release with the Earth Observation Satellite Company on September 27, 1985. The Administration did not request funding in the Fiscal Year 1987 budget, thereby seriously jeopardizing the Landsat commercialization?

(B) As part of P.L. 98-365, the Secretary of Commerce and the Administrator of NASA were required to submit a national plan for remote sensing. The first submission was to be delivered to Congress on July 17, 1985 with subsequent revisions every two years. To date, the first plan has not been delivered. Can you comment on the effectiveness of this planning process? How do you see the role of other Federal agencies and the private sector in this process?

(C) Since 1960, the U.S. has led in the peaceful use of outer space, first with the meteorological satellites and then with the Landsat series of satellites. Recently the French and Japanese have launched their own land remote sensing satellites. The Russians are actively advertising data from their spacecraft, and Europe, India and Canada all have active programs. It now appears that the U.S. is relinquishing this lead. What steps will you take to reestablish U.S. leadership in space with those space programs for which Commerce has responsibility—specifically weather satellites and Landsat?

Answer. (A) Programs that are essentially commercial in nature, and can benefit from strong marketing and market development should be performed in the private sector and not in the Federal Government. Landsat is a program of this type, and I support its commercialization.

(B) I am not familiar with the specifics of this plan, but I am told that this planning process has not proceeded effectively. If confirmed, I intend to reevaluate the process.

(C) From what I am told, our leadership in the field of weather satellites is unchallenged and on track for the foreseeable future.

In the case of land remote sensing, I believe our objective is to carry out the commercialization of the Department's Landsat system in a manner which minimizes further Federal investment and provides a sound financial and technical basis for private industry to develop a commercially viable system. If carried out in a timely fashion, I hope this will reaffirm U.S. leadership in land remote sensing.

POSTHEARING QUESTIONS OF SENATORS STEVENS AND D'AMATO

Question 1. It was reported that in a 1979 interview with *The Washington Star* you contended that the United States bowed to Jewish pressure linking emigration to trade. You reportedly said, referring to Soviet Jewish emigration, "The American

Jewish Community can never be satisfied on this * * * their desires will ever be escalating." Did you say that?

Followup: (If the answer is "Yes," then:) Do you still hold those views?

Answer. As I indicated at my confirmation hearing, I believe the American Jewish Community is rightly concerned about the inability of Soviet Jews to emigrate from the Soviet Union. I have always shared their concern, as does the United States Government. It is my belief that if the Soviet Union were to allow a significant, sustained increase in emigration, the United States Government should discuss with interested parties the possibility of a limited, time-fixed waiver of some of the limitations now placed on U.S.-Soviet trade.

Question 2. President Reagan, during the preparations for his Geneva summit with General Secretary Gorbachev, stated that the United States has four major priorities in our relationship with the Soviet Union. He continues to affirm that these priorities remain U.S. policy. They are arms control, bilateral issues, regional issues, and human rights. Do you support this statement of U.S. policy?

Followup: What importance do you attach to human rights as an element of U.S. policy toward the Soviet Union?

Answer. Yes, I support this policy.

Followup: Americans cherish human rights, and I believe that they will remain an important part of our agenda with the Soviet Union. I will work fully and to the best of my ability to achieve the human rights objectives the Administration has set in its relations with the U.S.S.R.

Question 3. Do you believe there should be any relationship between Soviet compliance with its international human rights obligations under the Helsinki Final Act and other agreements and U.S. decisions on trade with the Soviet Union?

Followup: What relationship should there be between Soviet human rights compliance and U.S. trade policy toward the Soviet Union?

Answer. Progress in the trade relationship is related to progress in other aspects of the U.S.-Soviet relationship, including human rights. Americans place great importance on the Helsinki Final Act and our views are influenced by its provisions on human rights.

Followup: As the answer to the first question states, the trade relationship must be considered as part of the overall U.S.-Soviet relationship, including Soviet human rights performance. In particular, the law of the land links trade and emigration. As I stated at my confirmation hearing, if possible I would rather influence Soviet behavior by opening up trade than by closing it down. But I have always believed in seeking human rights improvements, and will work in all the ways I can to obtain gains in this area.

Question 4. Do you support the Jackson-Vanik and Stevenson Amendments linking most-favored-nation status and trade credits for the Soviet Union to their emigration performance?

Answer. The Jackson-Vanik and Stevenson Amendments are the law of the land, and if confirmed I assure you that I will give those laws my full backing. I fully support free emigration from the Soviet Union. Through effective dialogue and negotiations with the Soviets, the United States should seek an increase in emigration that would make it possible to get a waiver.

Question 5. Do you believe General Secretary Gorbachev's policies of "glasnost," or openness, and "perestroika," or restructuring, represent real reform in the Soviet Union?

Followup: What actions, if any, do you think the United States should take regarding U.S. policy on Soviet Trade as a result of Soviet releases of political prisoners and increases in Soviet Jewish emigration so far this year?

Answer. Apparently, far-reaching changes are being attempted in the Soviet Union. It is too early to tell whether these changes represent real and lasting reform. These changes are important, however, and many steps, such as the release of political prisoners or granting of emigration visas, are especially welcome. From the perspective of our values, they are steps in the right direction. Some big changes also are being proposed for the economy to make it a more modern, flexible, and productive system. These, too, could be important for our relations.

Followup: Our policy should be to encourage such steps by the Soviet Union. If the increase in emigration goes far enough, then we should be able to consider a limited waiver under the Jackson-Vanik Amendment.

Question 6. If Gorbachev's program succeeds, how do you see the relationship between the U.S. and the U.S.S.R. evolving in the future?

Followup: Should the United States welcome the prospect of a newly flexible and pragmatic Soviet Union as a diplomatic, military, political and economic competitor in the 21st century?

Answer. The relationship between superpowers such as the United States and the U.S.S.R. involves both competition and cooperation. The presence of competition in the relationship is unlikely to disappear entirely in the near future even with major positive changes in the Soviet Union. President Reagan's policy for U.S.-Soviet relations is aimed at reducing the dangers of this competition, finding areas of mutual interest, and increasing the areas of cooperation. I think we are making progress in this course, but will need to continue it for some time to come.

Followup: A more open and pragmatic U.S.S.R. is certainly to be preferred to a closed and dogmatic one. I do not believe the United States should fear economic competition with the Soviet Union. We should help the Soviets to see the benefits of cooperation.

Question 7. In your opinion, how serious is the issue of high technology trade with the Soviet Union?

Followup: Do you support measures to prohibit trade with the Soviet Union involving military and potentially dual-use technologies?

Followup: How seriously do you intend to pursue allied cooperation to stop such trade and prosecute those who engage in it?

Answer. It is a very serious issue. We must continue our multilateral efforts to prevent the Soviets from acquiring critical Western technology that would enhance their military capabilities.

Followup: I have always been opposed to selling goods and technology to the Soviet Union that would enhance its military capabilities. I believe the best way to deny the Soviet Union critical dual-use technology is to enhance COCOM multilateral controls, and negotiate with non-COCOM countries to adopt responsible export control programs. Through this procedure, we can stop losing markets to foreign competitors who should be exercising the same export controls as we are.

Followup: We should continue to play a leading role in COCOM and to convince other Free World countries to implement COCOM-like controls. We will vigorously pursue violations of U.S. export control laws and will continue to press our Allies to strengthen their control statutes and enforcement efforts.

Question 8. How do you view the Toshiba/Kongsberg Vaapenfabrikk scandal and the sale of submarine propeller manufacturing technology to the Soviet Union?

Followup: Should sanctions be imposed on these corporations as a result of their activities in this case?

Answer. I view it as a deplorable violation of the COCOM agreement and of Japanese and Norwegian laws. Individuals within those two companies have seriously damaged the security of the West for the sake of personal gain and company profits. However, I do not support the ban on Toshiba products. I believe it is the job of the Japanese Government to make certain that policies are established which will eliminate such matters from occurring again.

POSTHEARING QUESTIONS OF SENATOR KASTEN

Question 1. Mr. Verity, I noted in your response to Senator Packwood and the questions previously submitted by the Committee that you can assure us that you recognize the Jackson-Vanik Amendment as the law of the land and that you would uphold it.

Could you state what your position and the position you would advocate as the Administration's policy on human rights and trade to be relative to actual numbers of emigrants that we would want to see be able to leave the Soviet Union before we would entertain a relaxation of trade restrictions? In 1979, 50,000 were allowed to emigrate. Is that a fair standard?

Answer. There would have to be a significant increase in emigration. I have not settled on a specific level, and it would probably be counterproductive to mention one now, because a decision would depend on many factors. At my hearing on September 10, 1987, I indicated that I thought between 15,000 and 25,000 would at least be a starting point, but this is not a specific target. The principal consideration should be a substantial and sustained increase from present levels. However, no relaxation of trade restrictions would occur without considerable consultation between the Administration, the Congress, and all other interested parties.

Question 2. (A) Mr. Verity, from the mid-1970's the Department of Commerce has been concerned and very involved with the product liability problems that face American businesses. The President has recognized the detrimental effects of the problems in this area in many of this statement, including this year's State of the Union address. You also recognize in your response to one of the Committee's questions the effect of product liability and tort laws on America's ability to compete.

Will you continue the Administration's strong interest in working toward meaningful product liability reform?

(B) Along related lines, I have also been involved in developing the Risk Retention Act of 1981 and last year's amendments thereto. This legislation facilitates self-insurance. Your Department, under the Risk Retention Act, is to provide a report indicating whether the Act has been properly implemented by the States. The report is due this month. May I have your cooperation toward the goal of having this report completed promptly and helping to assure that it contains constructive recommendations?

Answer. (A) Yes. The Administration recognizes product liability as a problem area which is having a negative effect on U.S. businesses ability to compete. I share this view. I look forward to working with the Congress and all other interested groups in developing meaningful product liability reform.

(B) I have been told the report is undergoing interagency review. If confirmed, I will do what I can to get this report to the Congress as soon as possible.

Question 3. (A) Mr. Verity, the Patent and Trademark Office is under your responsibility as part of the Commerce Department. They are in a major automation project involving optical disk mass storage of data. This is an important, emerging technology in which the U.S. is a leader. I would hope that due to the importance of this project to the PTO and the importance of the technology to the U.S., that you or a member of your new team carefully study this procurement and the review that was made by the Department. There is still some concern that external matters, such as the Japanese purchase of supercomputers, may have influenced the award of the initial quantities under PTO-10 to Sony over the all-American bid. Those of us who are interested are not encouraging the purchase of lower technology at a higher price just because it is a U.S. bid. We just want to be assured that the bid was not affected by outside circumstances. I understand you have been briefed on this matter, can I ask your commitment to undertake a fresh look by your new team into this matter?

(B) Also, I am still awaiting a reply to a request made some weeks ago to Acting Secretary Brown's office. I would like a confirmation of an arrangement the late Secretary Baldrige said he would consider relative to the PTO procurement. He indicated that during the evaluation period the other bidders could, at their own cost, install their equipment at the PTO. That way, when it comes time to re-bid for the additional quantities the Government would have the benefit of the side-by-side comparison of the latest systems in this fast evolving technology. Could you confirm that arrangement so that the installation of those units, at no cost to the Government, can proceed?

Answer. (A) I am informed that the Department's Inspector General investigated the bid process and found that it was conducted properly and in accord with the applicable procurement regulations. I will certainly take a look at the investigation to satisfy myself that the concerns you raise were adequately addressed.

(B) If Secretary Baldrige made a commitment to look into the feasibility of parallel testing of other firms' products, I will certainly review this commitment and let you know if there are any problems proceeding with the arrangement that was under consideration.

POSTHEARING QUESTIONS OF SENATOR WILSON

Questions 1-7. Throughout the draft OCRM report, the California Coastal Commission is criticized for not being sympathetic enough to offshore oil and gas development. In fact, the report would have the Commission approve OCS projects "even when they [are] inconsistent with a general policy of the [California program]."

(1) Would you as Secretary of Commerce expect the Coastal Commission to approve OCS oil and gas projects even if the operation of such projects would violate the general policy of the California coastal program?

The OCRM report concludes that the major defect with the California Commission's implementation of the coastal program is that the Commission has no OCRM-approved standards and guidelines by which to guide its decision-making process.

This identical issue was raised ten years ago in *API v. Knecht*. In that case, the 9th Circuit rejected the oil industry's arguments and held that there was sufficient specificity in the coastal program to guide the Commission's decision-making process.

(2) Would you as Secretary of Commerce pursue the apparent intent of the draft OCRM report in raising this issue of guidelines and standards once again even through the 9th Circuit has already spoken on this issue?

Secretary Hodel thinks that the Coastal Commission is unlawfully "usurping power" under the guise of the CZMA. (May 29 note to former Secretary Baldrige). This has led to widespread speculation that there is an attempt underway to decertify the California program, presumably because it is viewed by the oil industry as being unnecessarily burdensome in its attempts to develop the California OCS.

Fueling this speculation is an unidentified memo attributed to NOAA's political Deputy General Counsel that sets out a schedule for decertifying the California program. According to this schedule, a final decision on decertification could be made as early as April 1, 1988.

(3) If this memo is authenticated, what effect would such a memo have on your views of the legitimacy of the draft OCRM report, and what would you do in response to such a memo?

It has been alleged that the draft OCRM report was prepared in large part as a result of a number of "private" meetings between OCRM and other parties where Commission—or the public for that matter—was not invited. Further, it is alleged that two of the four individuals involved in the field evaluation proceedings were not only banned from participation in the final draft report, but had no opportunity to review its content prior to its release on August 19.

Perhaps most pointedly, one of the two that were banned in the preparation of this report, Mr. Art Roque from the Connecticut Department of Environmental Protection, would have concluded that the Commission was indeed adhering to—not deviating from—the Coastal Program. Yet his views are not reflected anywhere in the final draft report.

(4) If these charges are substantiated that the preparation of the report was politicized, what would you as the Secretary of Commerce do in response?

The draft OCRM report contains a curious statement to the effect that the Coastal Commission, in the exercise of its consistency authority under CZMA, should not propose permit conditions and mitigation requirements that are more stringent than those that are proposed by any one of several Federal agencies. The report would have the Commission defer to the "expertise" of these various Federal agencies.

(5) If the Coastal Commission is to act as a mere rubberstamp of the decisions made by Federal agencies as to what is to be required of OCS oil and gas permit applicants, what in your view does this do to the Federal/State partnership envisioned by the CZMA in the management of our coastal resources? In short, why would we need CZMA at all?

Another curious statement contained in the draft OCRM report relates to the local coastal initiatives recently passed by number of California coastal counties and cities. Their effect is generally to prohibit onshore facilities within their jurisdiction from servicing any new OCS development off their respective coastlines.

The OCRM report would have the Commission submit these local coastal initiatives to the OCRM for approval as part of the coastal program. Yet we know by what the report tells us that these initiatives are inimical to the oil industry interests and would be rejected as such by the OCRM. This would leave the Commission without an approved coastal program.

This puts the Commission between a rock and a hard place because they have no control over the passage of these local coastal initiatives, yet their very existence could lead to the decertification of the coastal program.

(6) Does this situation make any sense to you, and what would you do about it as Secretary of Commerce?

(7) If in your review of this draft report as Secretary of Commerce, you found it to be so seriously flawed for all of the above reasons and more, would you consider withdrawing it and directing that it be re-issued anew once it had been properly prepared?

Answer. This series of questions tells me again of your deep concern about the Coastal Zone Management Program and the status of the State of California under this program. As I have mentioned, this is a program that I am only beginning to learn about, and I do not yet have enough details about the history of the program and how it has been implemented to provide definitive answers to your questions. I can say that I believe the States and the Federal government all have legitimate interests in how our coastal zones are managed, and all these various interests must be balanced with one another. I hope that the September 15 meeting between the Commerce Department and the Coastal Commission will resolve outstanding problems, but if not—and if I am confirmed—I will certainly do all I can to work out any existing problems.

POSTHEARING QUESTION OF SENATORS MCCAIN AND GRAMM

Question 1. In your view, are we aggressively pursuing America's interest in terms of rectifying the trade imbalance with countries such as Japan, particularly in the engineering and construction industry, an area where the U.S. has maintained a strong competitive lead?

Answer. Yes. The United States should continue to negotiate for fair access to major Japanese projects for U.S. engineering and construction firms and equipment suppliers. I understand that the Japanese have offered to take some steps to make their procurement system for the Kansai Airport more open, but we are not satisfied that what they have offered goes far enough.

Question 2. The Austin Company and Kawasaki Heavy Industries currently have a joint venture to obtain contracts for projects such as the flight kitchen, cargo handling and remote passenger terminal facilities at the Kansai International Airport in Osaka Bay, Japan. What can and should be done to ensure that U.S. ventures such as this one and others have a fair chance at winning such contracts for participation in the Kansai Airport?

Answer. The only way to assure that U.S. companies have an opportunity to really compete for Kansai and other major projects in Japan is to insist that the Japanese adopt an open and fair procurement system. The United States must continue to make it clear to the Japanese that awarding selected contracts to U.S. firms will not resolve the issue. The Japanese must make systemic changes in their procurement system to provide equal access to project business for all firms, Japanese and foreign.

Question 3. What action has the U.S. Government taken to address the lack of responsiveness of the Japanese to the issue of opening their markets to U.S. engineering and construction firms for participation in project such as the Kansai International Airport?

Answer. Since I am not a member of the Administration, I cannot answer this question based upon my personal knowledge. I am told that we have been negotiating with the Japanese, that we have made some progress—but not enough—in changing their procurement system, and that the Japanese are well aware we can take retaliatory actions against them under our unfair trade laws.

Question 4. What are your views on the nature of the present dispute we have with the Japanese over semiconductors?

Answer. Based upon what I have read in the newspapers and have been told by Commerce Department staff, the dispute we are facing with the Japanese over semiconductors revolves around the long-standing problems of lack of access to the Japanese market and the dumping by Japanese manufacturers of semiconductor products, particularly memory devices, into the U.S. market. I support the agreement negotiated between the U.S. and Japan to resolve this problem.

Question 5. What is your view on the viability of the proposed industry consortium known as "SEMATECH"?

Answer: The health of the semiconductor industry is critical for the U.S. economic and defense base. I commend the U.S. semiconductor industry for coming together in the SEMATECH initiative to address their technology problems. However, I am not sufficiently familiar with the funding details of the SEMATECH consortium, nor the statistics relating to its economic health, to make a judgment about the viability of the consortium.

The CHAIRMAN. Now we have two very important, distinguished witnesses in a panel, Mr. Howard Phillips, the Chairman of the Conservative Caucus, and Mr. Anthony Harrigan, the President of the United States Business and Industrial Council.

We welcome you both to the committee. We have filed your statements in their entirety in the record. We want to try to hold to the five minutes, but not so tough. All we have is you folks between now and lunchtime. We want to hear you completely. But if you can summarize your statements to the committee and respond to our questions, we would appreciate it very much.

We will hear first from you, Mr. Phillips.

STATEMENT OF HOWARD PHILLIPS, CHAIRMAN, THE CONSERVATIVE CAUCUS

Mr. PHILLIPS. Thank you very much, Chairman Hollings, and your distinguished colleagues. I apologize for the late arrival of my testimony. I have been traveling out of the country the last few days and I just learned yesterday that I would have this opportunity.

I urge respectfully that in determining whether to confirm C. William Verity, Jr. to be Secretary of Commerce the Senate recognize the underlying concern which has engendered widespread grassroots opposition to the President's nominee.

Simply stated, the question is whether or not the Soviet Union is in fact an enemy of the United States, at war with our vital interests worldwide, even as its Leninist faith rationalizes the systematic oppression of those unfortunate hundreds of millions imprisoned under its totalitarian yoke.

If the Soviet Union is not our dangerous adversary, we can substantially diminish our defense expenditures and cut off additional billions of dollars in foreign aid, which is urged upon us in large measure on the basis of its utility in fighting Communism.

I must conclude, on the basis of his statements prior to today—I have not heard those of this morning—his writings, and his activities, that Mr. Verity does not regard the USSR as a threat to the United States. Surely, if he did acknowledge the reality of Moscow's deadly challenge to America's liberty and security he would not have established himself over the past 15 years as a principal advocate of economic intercourse with and assistance to the oligarchs of the Soviet empire and the regimes over which they exercise control.

Both as Chairman of the US-USSR Trade and Economic Council and as a private citizen, Mr. Verity has made clear that he stands for policies which would economically strengthen the Soviet Union as surely as they would profit commercial enterprises with which Mr. Verity has been associated. Most Favored Nation status for the Kremlin, Soviet membership in the IMF and the World Bank, eligibility for credits from the U.S. Export-Import Bank—no special concession within the authority of the U.S. government to confer has been omitted from the list of proposed inducements which Mr. Verity has recommended during the decades of the 1970's and 1980's.

If William Verity is confirmed as Secretary of Commerce, Mikhail Gorbachev will have a voice at the Cabinet table, but representation will have been denied those of us who believe that Communism should be opposed, not subsidized. Thank you very much.

The CHAIRMAN. Very good.

Mr. Harrigan.

STATEMENT OF ANTHONY HARRIGAN, PRESIDENT, U.S. BUSINESS AND INDUSTRIAL COUNCIL

Mr. HARRIGAN. Mr. Chairman, I appreciate the opportunity to testify against the nomination of C. William Verity, Jr. as Secretary of Commerce.

The organization of which I am president, the United States Business and Industrial Council, long has been opposed to strategic trade with the Soviet Union and the conferring of Most Favored Nation trade status on countries with Marxist governments. We are deeply concerned about technology transfers to the Soviets which enhance the military/industrial machine of the Soviet Union.

For that reason we oppose the nomination of Mr. Verity, who next to Dr. Armand Hammer is the American businessman most closely identified with efforts to expand trade with the Soviets, to weaken export licensing requirements, and to eliminate human rights considerations in making trade agreements with the Soviet regime.

We believe it is inappropriate, indeed deeply disturbing, that the next Secretary of Commerce be the former co-chairman and for seven years a member of the executive committee of the US-USSR Trade and Economic Council [USTEC], an organization established to promote Most Favored Nation trade status for the Soviets. We don't believe that the American people or Congress would approve of Mr. Verity's views if they were brought to public attention in detail.

Mr. Verity is a leading advocate, in the USTEC publication, of relaxation of export licensing controls. The Congress, in its reaction to the Toshiba case, is clearly concerned about strict enforcement of such controls.

Given Mr. Verity's enthusiastic advocacy of massive trade with the Soviets, it should be a matter of profound Congressional concern that as Secretary of Commerce he would have oversight of hardware sales and technology transfers.

I hope very much that this committee will examine very carefully Mr. Verity's statements on dealings with the Soviet Union over a period of ten years or more, as presented in the Journal of the US-USSR Trade and Economic Council. Mr. Verity is on record repeatedly as saying, and I quote, "U.S. administrations have hurt trade relationships by linking political considerations with crucial trade matters."

I believe that the legislative record will show that the Senate doesn't share that view. The Senate has repeatedly linked Soviet behavior in regard to Afghanistan and human rights, including the emigration of oppressed Jews, with trade relationships with the USSR. With regard to the US-USSR Trade and Economic Council, one wonders how many Americans understand its workings and relationships.

In 1987 the U.S. State Department report entitled Intelligence Collection in the USSR Chamber of Commerce and Industry, said that it was very important that Soviet organization is represented on the USTEC board. Page two of that report notes that one of the Soviet representatives on the executive committee is KGB Lieutenant General Yevgeny Pitovranov.

Did Mr. Verity know this? If he knew it, was he concerned? Why did he remain active in an organization with this kind of representation on the Soviet side?

Certainly the Senate has a duty to inquire into the views of a nominee with respect to strategic trade. And what isn't strategic

trade with the Soviets? If they want to buy something, it's something they need. In years past, the U.S. sold immensely important equipment to the Soviets. The country can't afford another such loss.

While it is customary for the President's cabinet nominees to be approved, the process clearly envisions an examination of a nominee in terms of the national interest. Therefore, we respectfully request that this committee conduct a searching examination of the positions taken by Mr. Verity and USTEC publications over a decade.

Thank you, sir.

[The statement follows:]

STATEMENT OF ANTHONY HARRIGAN, PRESIDENT, U.S. BUSINESS AND INDUSTRIAL COUNCIL

Mr. Chairman, I appreciate the opportunity to testify before your Committee against the nomination of C. William Verity, Jr., as Secretary of Commerce. I speak for the United States Business and Industrial Council, an organization which represents approximately 1,500 member companies and which is on record as opposing strategic trade with the Soviet Union and the conferring of most favored nation status on Marxist countries. I want to express our opposition in the context of East-West trade and the nation's security.

Thanks to the treachery and greed of two foreign corporations in allied countries, Toshiba Machine Co. of Japan and state-owned Kongsberg Vapaenfabrik of Norway, the U.S. public and members of Congress have a much better understanding today than they did a year ago of the peril involved in the sale of technological equipment to the Soviet Union.

It involved sale of equipment for the manufacture of virtually silent submarine propellers. And there was a pattern in this case. The Norwegian company made more than 100 equipment sales to the USSR between 1975 and 1984.

Congress acted because it realized that these sales of propeller equipment enormously advanced the capabilities of the Soviet submarine fleet and eliminated a great part of the advantage enjoyed by U.S. anti-submarine warfare forces. No longer are U.S. submarines able to detect Soviet submarines at great distances. Because of the equipment the USSR purchased from Toshiba and Kongsberg, Soviet subs can be detected only at close range. For the U.S. to regain its qualitative edge will require the expenditure of billions of dollars; the process will take years.

The Toshiba-Kongsberg betrayal of the interests of the free world represents only a small part of the overall story of the diversion of free world technology to a tyrannical regime—for a profit. It is an ugly story that necessarily focuses on greed because the national interest—the interest of the cause of freedom—has been sacrificed in order that a few may profit.

The profit motive is a good and important element in our economic system and society; but it is good, of course, within the context of national values and goals. Certainly, we would not want to sell equipment to a foreign country that would use it to impose cruel and unusual punishment on its people. Our country has a right, in short, to take a moral exception to trade practices if they conflict with our values. Thus many Americans strenuously object to the sale of goods from the Soviet Union in the United States when those goods are produced by slave labor—by workers confined in Soviet labor camps. Indeed, we have a long history of opposing trade with countries under totalitarian rule, as evidenced by our barriers to trade with Cuba, trade that reinforces the Castro regime and aids it in its aggression against other countries in this hemisphere and in Africa and the Middle East.

From the beginning of Soviet rule to today, debate has continued over trade with the Soviet Union. Friends of the Soviet leadership, such as Armand Hammer, have sought and obtained large contracts from the Soviet regime.

Robert M. Bleiberg, publishers and editorial director of Barron's Financial Weekly, has said of Mr. Hammer—chairman of Occidental—that he has “never shown the slightest qualms about doing business with butchers. After all, Hammer is the man who once said of Lenin, ‘I’m proud to think I talked with him . . . and that he took my hand in friendship,’ as well as the man who ‘paid homage’ at the funeral of Yuri Andropov, former head of the KGB.”

Other American businessmen have sought the role of Moscow's favorite American businessman. Harvard University lecturer Joseph Finder describes in his book "Red Carpet" the succession of U.S. businessmen—Hammer, Cyrus Eaton, W. Averell Harriman, Donald Kendall, and David Rockefeller—who "have courted and been courted by the leaders of Soviet communism." Another ambitious American businessman friend of the Kremlin leadership is Dwayne O. Andreas, chairman of Archer-Daniels-Midland Co., the world's largest processor of farm commodities, who served as co-chairman of the US-USSR Trade and Economic Council in 1983.

Other companies—from the 1920s through the detente period of the 1970s—thought that immense profits were to be made by selling to the Soviets, building plants for the Soviets, or in transferring U.S. technology to the Soviets. The rationale advanced for such activities with a totalitarian country have extended from economic benefits for Americans to the promotion of peace between two very different societies. In the 1970s, for instance, President Nixon and Secretary of State Kissinger sought to encourage trade and technology flows to the Soviet Union, in the words of Dr. Henry Nau of George Washington University, "as a part of the interdependence that would give the Soviet Union a heightened stake in the international system." Instead, the trade and technology flows gave the Soviets a heightened military profile.

There were a number of trade deals in this period which still bear investigation by Congress because they involved major contributions to the Soviet military build-up. For example:

1. The Bryant Chucking Grinder case. This allowed export of Centalign B machines to produce miniature ball bearings. The only use for these bearings is in missile guidance systems. The Soviets promptly MIRVED their missiles.

2. The Kama Truck Plant, financed by Chase Manhattan Bank.

3. The Gorki plant built by Ford Motor Company and supplied with machine tools by Gleason Company of New York while the Vietnam war was in progress. Gorki made the GAZ trucks used on the Ho Chi Minh trail.

4. All Soviet marine diesels are Western supplied or designed. These ships have been used to supply "wars of liberation" around the globe. The POLTAVA class with Burmeister & Wain engines was used to take missiles to Cuba; the same class turned up in Vietnam and Nicaragua. Yet the State Department has presented export of these ships as peaceful trade.

Since then, however, the proponents of trade have operated very quietly. The Soviet war against the people of Afghanistan has made it difficult for the advocates of trade and technology flows to be very active, but that situation is changing rapidly in the era of glasnost. The new, artfully-constructed Soviet image makes it easier for those who want to end restrictions on trade and technology transfers. Especially disturbing is the nomination of C. William Verity, Jr., former co-chairman of the US-USSR Trade and Economic Council, as Secretary of Commerce. In 1984, when he succeeded Dwayne Andreas, Mr. Verity said that U.S. companies lost \$10 billion a year in sales to the Soviet Union because of U.S. government restrictions. In effect, he was for selling the Soviets the rope that Lenin predicted capitalists would sell to them—rope with which to hang the capitalists. "Trade is trade," he said, and should be separated from politics.

Well, that's not true; that's not in accord with our people's moral perceptions. Had the Nazis come to the U.S. in the 1930s, seeking barbed wire for concentration camps, would Mr. Verity—had he been around then—have said "Trade is trade," and should be separated from politics?

The editors of Human Events magazine, in an analysis of the US-USSR Trade and Economic Council's origin, said that "A major purpose of the organization was to mobilize support for granting the Soviets most-favored nation trading status (i.e., to trade with the Soviets on the same terms as we give to our closest allies) without regard to the Moscow regime's repression of its own citizens or its aggressive policies toward other nations."

As far back as 1949, the U.S. government concluded that trade is not as simple as Mr. Verity says it is. In that year, the U.S. Export Control Act became law—the first postwar attempt to address the strategic consequences of unrestricted export of technology to communist countries. Earlier, in the 1920s and 1930s, U.S. companies had assisted with the rapid industrialization of the Soviet Union under Stalin. Americans were dangerously naive about the consequences of all this. And in wartime, we transferred armaments to the Soviets, which gave the military advantage in the postwar years. What wasn't loaned to them, they stole, including U.S. atomic secrets.

The Institute for Foreign Policy Analysis has said that during the war the U.S. offered substantial technology with little reservation, noting that "With the Lend-

Lease Act, the United States provided foodstuffs, machine tools, munitions, technologically advanced military equipment, and oil refining plants to countries fighting the Axis powers. The lend-lease program was eventually extended to include the Soviet Union, which received \$2.6 billion in nonmilitary goods and \$8.5 billion in military hardware. The Red Army, it was said, 'rode from Stalingrad to Berlin on American wheels.'"

By 1949, the U.S. began to realize that there wasn't any such thing as conventional trade with the Soviet Union, that trade had an inevitable strategic impact. Realism on this score had had its ups and downs over the years, however. There always have been domestic pressures for relaxing controls on exports to the Soviet Union, both in the business and agricultural sectors. The export community always has wanted to limit presidential discretion in imposing controls. It has wanted to give a higher priority to the sanctity of contracts than to national strategic consideration. Indeed developing and maintaining a strategic economic policy is a continuing problem for the United States in the light of massive internal pressure to make a profit irrespective of foreign threats.

The unhappy truth is that our policy in this area often suffers from a yo-yo effect, constantly up and down. Not long ago, The Washington Post reported that a study sponsored by the Atlantic Council concluded that the United States should negotiate most-favored nation trade status with the Soviet Union—a proposal that many Americans find shocking in the light of Soviet international behavior and the constant Soviet threats to U.S. security. The Atlantic Council study suggested that "we may be coming out into the daylight"—a nation that reflects the most astonishing optimism. The study also took a swipe at tying the trade to Soviet emigration policy, saying that "serves neither the end of increased emigration nor improved US-Soviet relations."

The beginning of wisdom with respect to the Soviet Union is recognition of the fact that anything the Soviets seek through trade is something that enhances their military-industrial power, for the entire Soviet system is based on strengthening political and military power, not on meeting the needs, wants and aspirations of the Soviet peoples. Therefore, every trade deal involves the most serious strategic considerations.

Unfortunately, influential sectors of American opinion reject that point of view and urge virtually unrestricted trade with the Soviet Union and a further weakening of already weak export controls. Let me quote from Volume 10, Number 4 of the Journal of the US-USSR Trade and Economic Council, published in 1985. This contains an article by Dr. Richard Leshner, president of the Chamber of Commerce of the United States and a permanent director of the US-USSR Trade and Economic Council. On page 4 of that issue, Dr. Leshner spells out his position, saying that "we believe that one of the ways to lessen the problems between the United States and the Soviet Union is to establish more of a trade relationship." He adds that "we advocate free and open trade with the Soviet Union"—with the greatest tyranny of our times, that is. In response to explicit questions, Dr. Leshner describes the ways in which he favors relaxation of export controls to the Soviet Union. He notes approvingly that "if a computer or a machine tool sold to the Soviet Union with the proper export license is in need of a part, the producer can ship that part to the Soviet Union without an export license for the spare part." He also notes approvingly that an embedded microprocessor in a machine cannot be controlled simply on the basis of the nature of that microprocessor. In Dr. Leshner's view, "there are very few markets that offer more potential than the Soviet market." Certainly that's true when one considers that over 5,000 Soviet military research projects benefit from U.S. information and hardware each year. About 50 percent of the hardware (trade items) sold to the USSR is used to enhance the technical performance of Soviet weapons systems. As the U.S. government has said, the assimilation of Western technology is so broad that the U.S. and other Western nations are "subsidizing the Soviet military buildup." Obviously, the huge market Dr. Leshner envisions is for equipment with industrial-military capabilities, not consumer items or other nonstrategic goods.

If you look through issues of the Journal of the US-USSR Trade and Economic Council (and you will have a very difficult time obtaining copies because the Council is highly secretive), you will note articles by officials of the Military Industrial Commission (VPK) of the Presidium of the USSR Council of Ministers. Actually, this is a KGB organization. It manages the acquisition of free world technology through trade deals. It also relies on intelligence channels to procure classified documents from the West, including drawings and blueprints. Gorbachev's plan to modernize the Soviet economy and boost its war-making capabilities depends on the successful

acquisition of Western technology. In the past, the Soviets have used this method of leapfrog to a new generation of technology.

The US-USSR Trade and Economic Council also works closely with the USSR Chamber of Commerce, features its officials and publishes their addresses. A U.S. State Department document prepared for distribution, entitled "Intelligence Collection in the USSR Chamber of Commerce," states that KGB Lt. Gen. Yevgeny Pitovranov has been an officer in the Chamber since 1966. He is on the Executive Committee of the US-USSR Trade and Economic Council. The State Department report also says that one-third of the Chamber staff members are officers of the GRU—Soviet military intelligence—and two-thirds are KGB officers.

What is it that the Soviet Union wants to obtain through expanded trade and technology transfers? It seeks one of a kind military and dual-use hardware, blueprints, product samples, and test equipment. It wants export controlled microelectronics, computers, communications equipment, robots, and diagnostic tools. The federal government has cited a U.S. Fairchild Instrument Corporation/Xincom semiconductor memory tester as a good example of a one-of-a-kind dual-use product. It could be used to copy a reverse-engineer Western integrated circuits. The Soviet VPK organization sought and obtained this advanced equipment with tremendous military potential.

The Soviets also want telecommunications equipment and technology, automated production and control equipment, sensor technology with signal processing capabilities—enormously useful in anti-submarine warfare; computer-controlled machines useful in tank production. U.S. equipment also is sought through East Bloc countries and through Austria, Switzerland, Sweden, and other nations.

This huge acquisition effort, which depends heavily on the "free and open trade" Dr. Leshner favors, is guided by the Soviet Directorate T which has approximately 1,000 officers and base operations in New York, Tokyo, Bonn, London, Paris, and other capitals. It works principally through science, commercial and economic attache sections in Soviet embassies. Approximately 100,000 U.S. and Western classified documents are forwarded to Moscow each year, according to government sources. In the United States, the Soviets operate under only light travel restrictions. They also have access to American data bases in the private sector. Until the early 1980s, the Soviets also had access to open NASA documents and contractor studies. This enabled the Soviets to save years in military science research.

The cost in money and security to the U.S. and its allies is enormous. The Department of Defense estimates that exploitation of Western technology has saved the Soviets billions of dollars and cost the allies billions. It has severely degraded NATO capabilities compared to Soviet capabilities.

One can only say "thank God" that since 1985 the United States has had the Defense Technology Security Agency (DTSA) to keep an eye on the export of militarily-sensitive technology. Tragically, the American people can't depend on either the Commerce or State departments to protect the national interest with respect to foreign sales. The DTSA operates a computer program with tracks export license applications and makes speedy determinations. Astonishingly, neither Commerce nor State have a similar computer capability.

It's safe to bet that Mr. Verity will do everything in his power to achieve this elimination of Defense Department oversight. Yet this oversight is essential if pressure to sell abroad is not to sweep aside all considerations of the national interest. Consider the following items uncovered by DTSA. In one instance, the sale of \$6 million in advanced military radios to Libya was halted as a result of Defense Department review and oversight. Commerce and State approved the sale of this strategic equipment to a "fig farm" in Libya. The equipment actually was to be used as part of an early warning radio system.

In another case, the Defense Department intervened to block the sale of over \$200 million worth of computers to companies in Hong Kong, which were planning to divert these machines to East Germany, Bulgaria, and the Soviet Union.

The Commerce Department, along with State, has proposed the sale of satellite sensing equipment to Iran, despite strong Defense Department objections. The equipment is supposed to go to the Iran News Agency, which specialized in spewing hate against the United States; but the equipment also would serve as a communications link for the Iranian armed forces.

It's hard for ordinary citizens to understand why Commerce and State are so reluctant to defend the national interest in regard to trade with the Soviet Union and technology transfers that enhance Soviet military capabilities. Yet it's a fact.

Michael Ledeen, a Senior Fellow at the Georgetown Center for Strategic and International Studies, has observed ("The American Spectator," July 1987) that the "State Department had argued against any punitive measures against the two com-

panies or governments" involved in the Toshiba-Kongsberg scandal of submarine propeller technology sold to the Soviets. He added that "in line with the State Department's efforts to be nice to everyone, even those who sell out our national security, are the efforts of members of Congress to make sure that no one can punish countries or companies that violate existing international agreements, and to weaken any effort in the U.S. government to monitor and control East-West trade. These are the famous 'rope sellers' Lenin so loved."

Mr. Ledeen said that one final point is in order, namely that for "much of the intellectual community, the very idea of export controls is anathema, a kind of international know-nothingism. This despite the fact that, until quite recently, American corporations have shown an amazing willingness to sell our own best technology to foreign companies."

Related to this is the question: What is an American company these days? Increasingly, high technology companies operate as multinational companies. Again, where does the national interest—the American interest—lie in such a situation? These companies transfer technologies among the affiliates and subsidiaries across national borders. Indeed many large manufacturing companies have shifted production offshore to other countries. Their concern for the national interest is diminishing. It's a very different situation than existed at the time of World War II, or even a quarter century ago when American industry was almost wholly American-owned and American-directed. Companies that don't feel themselves to be wholly American clearly aren't happy with export controls that restrict their profits. They would prefer to go back to pre-1984 conditions. From 1977 to 1984, the Commerce Department conducted no audits of foreign consignees receiving distribution licences even though, as Dr. Henry Nau reports, the last audits showed numerous violations. The Soviets well know how to take advantage of American stupidity and cupidity.

Obviously, the push for trade with the Soviets in the face of Soviet technological espionage and related activities requires a tremendous push—and that push comes from the US-USSR Trade and Economic Council. Its activities are among the most poorly-reported economic and political activities in the country. After the Reagan-Gorbachev summit, 400 American businessmen visited Moscow in the hope of achieving a new trade deal. But the major papers of record completely failed to give the U.S. public the most basic facts. Congress has failed to ask for the facts. It's impossible to get a list of the 400 attendees in Moscow.

Indeed—and I want to stress this—it's impossible to learn which U.S. companies do business with the Soviet Union. Only one U.S. news organization has made a significant effort to obtain the list in the face of official obstacles.

The Arizona Republic, published in Phoenix, and its publisher, Pat Murphy, are making this important effort.

I want to quote from a statement made by Mr. Murphy:

"Americans are prohibited under the Export Administration Act from finding out which U.S. firms are doing business with the Soviet Union, and thus deprived of finding out just who's profiting from improving life in the very country that the White House suggests in its military budget is evil, unfriendly and untrustworthy.

"It follows that we, therefore, don't know what these U.S. businesses are selling to the Soviet Union, and can't judge whether Americans are figuratively selling the Soviets the rope they may use to hang us someday. We're presumably left to trust the government.

"This business of covering up the names of U.S. companies doing business with a nation clearly regarded as the enemy struck Richard Lessner as a slap at taxpayers who are paying the defense bill.

"So Lessner, an editorial writer for The Arizona Republic, sent a letter in March 1985 to the Department of Commerce asking for the names of U.S. businesses selling goods and services to the Soviet Union. He cited as his right to access the Freedom of Information Act, which 350,000 persons use every year as a way of opening sealed files.

"Sorry, the Department of Commerce told Lessner. Files on businesses exporting to the Soviet Union are classified. One of the silly explanations is that names of companies cannot be released without descriptions of what the companies are selling to the Soviet Union, and this might reveal secrets to competitors.

"The fact that the Soviets are thus allowed by the U.S. Government to buy useful commercial secrets seems inconsequential to the Washington bureaucrats who don't trust Americans with the same information.

"No matter.

"For the purpose of a piece he wants to write, Lessner only wants the names of the companies doing business with the Soviets, not any trade secrets.

"So, Lessner and The Republic have gone to federal court to fight this utterly incomprehensible ploy by the federal government to protect business arrangements between U.S. businessmen and the Soviet Union.

"Since The Republic filed suit on July 10, 1985, it has spent \$18,899.68 simply trying to obtain information the public has a right to know. Taxpayers who are asked to spring \$312 billion for the military, largely because of threats by the Soviet Union, also should know something about who's being licensed by the United States to do business with the very nation whose threat leads to such horrendous spending.

"Washington is not taking this suit lightly.

"Documents filed with Ninth Circuit Court of Appeals in San Francisco list the names of eight—count 'em—eight federal attorneys in Phoenix, Washington and San Francisco who have been assigned to keep the public from seeing the names of business selling to the Soviet Union."

One hopes that the lawsuit by The Arizona Republic will be successful, despite the efforts by the federal government to protect the traders' secrecy. Clearly, the companies involved in trade with the Soviets fear public reaction if their activities were known.

According to The Wall Street Journal, which could have done much more to uncover the facts, the US-USSR Trade and Economic Council was formed in 1973 and comprises at least 250 American companies and 120 Soviet foreign trade organizations. The Council is in bed with the Soviet agencies which operate under KGB control and direction. The Council describes itself as a membership organization of American and Soviet "business-related enterprises." Of course, there is no such thing as a true business organization in the Soviet Union, only state organizations under party control. It has a bi-national staff. Among the American member companies are many familiar U.S. companies, including Dresser Industries, Chase Manhattan Bank, Cargill, American Express, Dow Chemical, Armco Steel (Mr. Verity's company), Minnesota Mining & Manufacturing, Ralston Purina, Pepsi, International Harvester, Marine Midland Bank, FMC Corporation, Stauffer Chemical, and Owens-Illinois. What's most disturbing is that many members of the Council are leading defense contractors in the United States.

Americans who consume the products made by these companies in all likelihood would be very surprised and disturbed by the contents and tone of the advertisements many of these businesses insert in Trade Council publications. Caterpillar Tractor Co. bragged in one ad: "Over 50 years ago, Caterpillar track-type tractors helped establish mechanized farming in the USSR. Engines, off-highway trucks, pipelayers, electrical generator sets, wheel loaders and a range of other Caterpillar products are at work in the Soviet Union . . . still helping turn the potential of rich resources into reality." This is good news for Americans? One wonders how the statement really would do even down in Peoria where Caterpillar has its headquarters.

McDermott International presented an ad captioned "Developing Soviet Energy Potential." it said: "Now we can bring our long experience and skill to help the Soviet Union achieve its energy and process goals more efficiently and quickly." One wonders whose national interest McDermott seeks to serve.

Finally, Monsanto boasts that it began trading with the USSR 20 years ago and that "prospects for future growth are quite promising." It supplied the "chemicals needed for the manufacture of tires." The Red Army, of course, is the principal Soviet consumer of Soviet tires. Richard J. Mahoney, president of Monsanto, is more candid than most executives of companies that do business with the Kremlin. He states in an advertisement, "The amount of trade that will go up or down depends on the political environment." That's a frank admission that Monsanto is uninterested in human rights in the Soviet Union, its attacks on other countries, or the USSR's efforts to weaken and cripple the United States.

One final work with regard to Monsanto: Mr. W.A. Petrilli, manager of international development, stated in a letter dated August 11, 1986: "From our perspective we see this as a normal way to function in today's global marketplace."

Indeed it is difficult to argue with Mr. Petrilli on this point. Several hundred major U.S. corporations believe that trading with the Soviet Union is "a normal way to function." The only hole in Mr. Petrilli's assertion—and it is a very large one—is that most of these companies clearly prefer to trade under cover of secrecy, which indicates that they understand that the American public would not approve of their trading activities if they were public knowledge. Certainly, large corporations don't desire to keep secret their trade with other nations, not even the People's Republic of China. But, then, Communist China isn't regarded by the U.S. public as an immediate, direct threat to the security of the United States and its people, whereas all but a hard left element understands the immense danger to the

U.S. posed by the Soviet Union. The desire for secrecy about U.S.-USSR trade, which is evidenced in the operational approach of the Trade Council, leads a reasonable person to conclude that the U.S. companies involved in this trade clearly understand the they are doing something which the public believes is not in the national interest and that indeed is morally reprehensible. Frankly, I am amazed that these prominent corporations should be so determined to disregard the public will and do what is injurious to the United States. Simply put, they are engaged in aiding the enemy, an offense that in wartime would result in the heaviest penalties. These companies can't be unaware that the American people are paying more than \$300 billion in taxes each year to provide for national defense, for protection against the threat posed by the Soviet Union. Yet, in the face of this, these companies seek profits from selling equipment and technology that the Soviets will apply to military purposes.

What is to be done about this situation? Let me give you my personal view. The first step, in my judgment, is to end official sanction for the U.S.-USSR Trade and Economic Council. If that happens, many, perhaps most, companies will withdraw from it. They stay in it under cover of the blessing of the Secretary of Commerce and his Department and letters of endorsement from the White House. The Armand Hammers and Dwayne Andreases won't withdraw, one can be sure, but others will. Indeed without official approval, it's likely that the heads of the National Association of Manufacturers and Chamber of Commerce would terminate their roles as permanent directors of the Council. And let's remember that the vast majority of U.S. companies don't want trade with the Soviets. Many have turned down lucrative contracts.

Congress has an important role in insisting upon a tightening of export controls and procedures so that the flow of critical hardware and technology is completely stopped and America's allies are compelled to adopt similar controls.

Such economic transactions as take place between the U.S. and the USSR must be subjected to much tougher standards of strategic military and strategic economic significance, and the oversight of the Defense Department should be present at all times. Ordinary commercial standards can't be allowed to apply because of the deception employed by the Soviets in all sorts of transactions. For instance, in the past the Soviets have sold nickel to the United States, whereas in fact the nickel cargoes consisted of transshipments from Cuba, which was prohibited under U.S. law. In any case, it was folly of the worst sort to purchase Soviet nickel from Cuba when nickel is a major export item for our most important neighbor and good friend, Canada.

Congress and/or the courts also must open up the now closed public record of U.S.-USSR trade activities.

The greatest need, however, is for making information available to the public, information about the U.S.-USSR Trade and Economic Council, as well as basic facts about trade. Congress has the power to compel testimony from Commerce Department Officials about the Trade Council. Obtaining information on his organization in a supposedly open society is virtually impossible. I have mentioned that Commerce Department information is denied the U.S. public, though information is available to the Soviet Union and the Trade Council. As for the Trade Council's publication, one can't subscribe to it. It is available in certain libraries, such as Harvard University's Baker library, but the library's periodical files aren't open to the public. One had to be the most determined and skilled investigator to obtain copies. I have been fortunate to obtain material from one of those investigators. For Communist China, there is an equivalent organizations to the Trade Council—the National Council for U.S.-China Trade. But unlike the U.S.-USSR Trade and Economic Council, the membership list of the China group is available, as are its publications.

A key area that should be investigated by a congressional committee is that of sales to the Soviet Union by companies that are U.S. defense contractors. Without a searching probe, how is the Congress to know whether research done for the United States has not been transferred to our country's principal adversary? Another important questions: Are there companies in financial difficulty at home that are selling strategic goods or material to the Soviet Union as a way to recover their financial health? Indeed the public needs to know—has a right to know—who is selling precisely what to the Soviet Union and East Bloc countries. Without being able to determine precisely what is being shipped. Congress can't comprehend the overall significance of the trade with the Soviets. It's essential, therefore, that members of Congress take an interest in this subject and develop real expertise.

The more one digs into the maze of information on trade with the Soviet Union, the more one understands the Soviet determination to use supposedly pure commercial transactions to achieve strategic objectives. What may seem to many people le-

gitimate, non-strategic trade may, when Soviet objectives and needs are examined, turn out to have the highest strategic importance for the USSR. In an era of negotiation and summitry, the perils are all the greater, the temptations more compelling. The Soviets pursue subtle strategies in a wide range of related activities, from trade scientific conferences and exchanges. The Soviets rely on American naivete, on our tradition of openness. Those on the Soviet side who profess to be technocrats in many, if not must, instances are intelligence officers.

I want to conclude this discussion of trade and technology transfers with a warning voiced by Richard N. Perle, former Assistant Secretary of Defense for International and Security Policy, who said in *The New York Times*: "Don't make the mistake of believing, just because it makes sense, that our national security adequately protected in the bureaucratic morass that has become a substitute for serious policy making with respect to exchanges between the United States and the Soviet Union. It is not."

If one believes that trade between the U.S. and the USSR is normal trade, one is prepared to believe the tooth fairy.

It is in the light of the situation described above that the U.S. Business and Industrial Council opposed the nomination of C. William Verity, Jr., as Secretary of Commerce.

The CHAIRMAN. I have the greatest respect for both you gentlemen. Mr. Harrigan was the editor of the paper in my home town. I have watched him go on to head up this important council.

And what we have, of course, is a fundamental involved. How do you beat that Soviet crowd? I believe we are in a contest, and I toy in my mind and try to learn everyday how to join issue with them and beat them because we continue to lose.

I know that the containment of massive retaliation under John Foster Dulles wasn't working. We all agreed with that. I think back at the time coming out of China in the back of that bus with Madam Muo Tse Tung back in 1976, right at the time of the demise of Mao. She was talking about going out under the Communist doctrine of reeducation, that they had to get out into the countryside, including Chairman Mao, every three years to renourish the seed of socialism because if that capitalist seed ever got planted it would take root and take over. It was a very dangerous thing.

I look today now, ten years later, to the People's Republic where Senator Exxon and I just visited last December. That seed of capitalism is taking place out in the countryside. We see the farmers, perhaps the best group. They are not only planning for the state, they are planning for themselves, making a little profit, building a home.

Incidentally, their wives and children are all into a little textile operation, a little sewing operation on the side.

I think that development under Deng and the Peoples' Republic has shoved Gorbachev. He's dressing it up as a glasnost. But he's going to be left at the switch. Because someone said the second largest market, you let Deng continue for another year and get his young group in, I think that they'll be putting out not just textiles but cars and everything else. We see the Koreans taking over from the Japanese. We'll see the Chinese take over from the Japanese and the Koreans.

I think Gorbachev is in essence playing catch-up ball because trade in capitalism does count. You can't say you won't talk to a fellow because he's a member of the KGB. Andropov, the Soviet Premier, was head of the KGB. Was it going to be our policy that since you were in the KGB we can't talk to you? I know George

Bush doesn't have that policy since he was head of the CIA. We can't have him for president? Are you good Republicans?

No, no. Howard, you don't believe the fellow is a commie or he's really going to have a spokesman at the table. You can't really say we've had a commie as the president of the Chamber of Commerce.

Mr. PHILLIPS. No, that's not what I said. But certainly what I believe, Mr. Chairman—and let me say that I greatly respect the leadership you have provided in many areas—to prevent the Soviet Union from being aided by U.S. credits. I know that particularly in southern Africa your leadership has been extremely important in cutting off the flow of hard currency to the Communist regime in Angola. And I appreciate and commend you for that.

But it seems to me that Roger Robinson, a former member of the National Security Council staff, who worked for the Chase Manhattan Bank at one point, was correct when he observed or asked recently in a paper on East-West trade and national security for the Heritage Foundation—He asked, "Has it not struck most western policy makers as odd that the Soviet Union, which has a total annual hard currency income of only about \$32 billion from all sources, including arms sales, can sustain a global empire which can directly rival the United States?"

I just returned from Central America—Guatemala, Honduras, El Salvador, Costa Rica. We met with President Duarte, President Arias, with others. And a number of people in our government and other governments made clear to us that without an additional influx of hard currency, the Sandanistas will be in very serious trouble after the first quarter of 1988.

It seems to me that it does give Mr. Gorbachev advocacy for his interests at the Cabinet table to have someone as Secretary of Commerce who is promoting policies which will have the effect of making it easier for the Soviet Union to acquire those resources.

As I tried to suggest in my testimony, without rancor but with grave concern, there is a fundamental question. Is the Soviet Union our adversary or is it not? If it is our adversary, if it is indeed working against our vital interests worldwide in terms of choke points and strategic minerals and many other things, then why should we support policies which strengthen their ability to do us harm?

Glasnost is, in my view—Detente and summits are, in my view, a way of helping Mr. Gorbachev gain access to resources which his failed system has not been able to generate on its own.

The CHAIRMAN. Well, I want to yield in a second here to Senator Exon. He has to vote on another matter.

But let me just say that you're right. The Soviets are our adversary and we are their adversary, and we shouldn't necessarily—and I'm confident we won't—be helping them. I mean, they won't be helping us.

But you and I, and I think you and Mr. Harrigan are two good educational forces. But you lose credibility when you speak categorically and write categorically, because in this real world in which we live we're not given that option. There is no question in my mind—I'm having difficulty, as you pointed out, on Angola. We got the vote on Afghanistan. But as soon as we went to Angola—when Chevron and big oil moved in, oh boy, that Senate just moved over

to the other side. That oil crowd will move this Congress anytime they want to.

Now I happen to support the Contras. I don't believe in the so-called peace initiative because it's not going to work. It's just going to buy time for them to regain economically on the one hand, and defeat the Contras on the other hand. We'll have no force of pressure to bring about self-government down there.

You and I are not in the majority on these things. I just have been through Europe, and the big difficulty there is keeping NATO strong and committed. If you get the double R option there, this fellow Gorbachev is much smarter than Brezhnev. He tried it with the SS-20's and it didn't work because we put in the Pershings. Now this fellow is going to do it with conventional. And we'll get the double R and he'll get rid of that, and he'll get chemicals and he'll get rid of all the inspections and he'll put his fertilizer plants into production, and in 90 days he'll have not only his conventional but chemical warfare threat to terrorize the whole continent.

So we're coming in from behind. The confrontation is not going to work.

Let me yield to Senator Exon.

Senator EXON. Thank you very much, Mr. Chairman. I'll be very brief. Gentlemen, thank you for coming, and we appreciate your testimony.

Let me ask you, Mr. Phillips—Did you support and do you still support the Carter administration, its partial embargo with regard to grain shipments to the Soviet Union that was carried on for several months under this administration?

Mr. PHILLIPS. Yes, sir. I did.

Senator EXON. You did. And you still do.

Mr. PHILLIPS. Yes, sir.

Senator EXON. Might I ask a question to try to keep this all in perspective. I want to focus in on the statement, the last part that you have been asked about by the Chairman. You say, "If Mr. Verity is confirmed as Secretary of Commerce, Mikhail Gorbachev will have a voice at the Cabinet table."

Mr. Phillips, I respect you and your views and sometimes we agree and sometimes we do not. But you've never been known as a master of the understatement. But it seems to me that that statement which you make with regard to this nominee is a massive statement and overstatement.

You obviously don't agree with me. Is that right?

Mr. PHILLIPS. Senator, let me respectfully say to you that that statement is one which I stand by and which I have made only after an extremely thorough review of Mr. Verity's writings over the last 15 years, many of which I have here.

Repeatedly Mr. Verity has denounced linkage. Repeatedly Mr. Verity has criticized those in the United States, whether it was Robie Palmer, our Deputy Assistant Secretary of State for Eastern European Affairs. He rebuked them and took the side of the Soviet Union. Whether it was Larry Brady, the President's nominee for Assistant Commerce Secretary, who tried to restrict technology transfers to the Soviet Union. Whether it was in his writings for the Committee on East-West Accord or his speeches or other activities on behalf of the US-Soviet Trade and Economic Council.

Mr. Verity has repeatedly—and I'll be happy to supply you with his statements—placed himself on record as one who feels that there is an alliance of so-called businessmen in the Soviet Union and the U.S. against politicians in the United States who have jeopardized America's reputation as a reliable trading partner. I hope we are never regarded as a reliable trading partner of the Soviet Union.

I don't regard Mr. Verity as a man who takes his position because he wishes to do his country harm. But I do believe he is a man who is sincerely wrong in the policies that he espouses. And I do believe the policies he espouses are those which Mr. Gorbachev espouses and which will serve the interests of the Soviets and not of the United States, not because Mr. Verity is a treasonous man, but because he is a very wrong man.

Senator EXON. Mr. Phillips, I take it then that you would generally support an amendment that I authored to the trade bill which we're going to fight very hard to keep in there, to set up a mechanism whereby the Secretary of Commerce at the request of any of the other Commerce members can call to the attention of the Secretary. If he wants to voluntarily make an investigation where technology transfer by a takeover of a foreigner, whether it's Communist or otherwise, where the national security interests of the United States might be impaired—I don't know if you are familiar with that or not. Are you?

Mr. PHILLIPS. I have not studied the legislation. I have a general awareness of it, and in general I am sympathetic to it. But I would prefer to study it in detail before committing myself to its support.

Senator EXON. Thank you, Mr. Harrigan. I have no questions of you. Thank you, Mr. Phillips, for your testimony. I appreciate the indulgence of the Chairman.

Mr. PHILLIPS. Mr. Chairman, if I may make one suggestion.

The CHAIRMAN. Yes, go on.

Mr. PHILLIPS. As I say, I missed the earlier part of the committee hearing.

I would call your attention to an article which appeared in the New York Times on August 28, headlined "Moscow Asked To Join Textile Pact, Indirect Route to GATT Seen." The article which begins by saying, "Administration officials reported today that the Soviet Union was seeking to join the international organization that sets the rules for trade in textiles. The 54 national multi-fiber arrangement is administered by the general agreement on tariffs and trade. The official said the effort appeared to be another attempt by Moscow to enter GATT which rebuffed a Soviet overture last year. Last year the United States was a principal opponent of Soviet membership in GATT. Now the State Department is trying to steer the Administration into a favorable response, at least to a Soviet entry into the fiber pact."

I know this is a matter of concern in your state and in other states. I would merely encourage you to probe the views of the nominee on the subject.

Mr. HARRIGAN. Mr. Chairman, could I say one additional word?

The CHAIRMAN. Yes, Tony. Excuse me.

Mr. HARRIGAN. I suppose that our primary concern lies with this question of export licensing, where Mr. Verity indicated in his re-

marks this morning, as he has in his writings through the years, that he wishes to relax those controls in order to promote trade.

In the last few years the U.S. Government has made a valiant and very successful effort to tighten those through establishment of the Defense Technology Security Agency, a computerized operation, as you know, which very quickly processes export licensing requests so that 80 percent of them come back approved or disapproved in one day.

They have been able to prevent—and this has been published in the Washington Post and many leading papers around the country—been able to prevent the loss of very sensitive technology to the Soviets, to its surrogates, to third party countries that would trans-ship them to the Soviet Union.

I think this is an integral part of our defense policy. We can't spend over \$300 billion a year on buying ships, planes, and whatever, and have the vital technology edge of the United States slip away through relaxation of export controls of commercial goods because some people, some companies are greedy and will refuse to pay attention to the national interest.

I think if there is a weakening, if you have a Secretary of Commerce who is bent, as Mr. Verity has been very candid about being bent, on weakening these, relaxing them—whatever term you want to use—our defense is going to suffer. We should certainly look at the Toshiba case, which as a result of the loss of technology in the submarine field, the United States will most probably have to expend an estimated \$10 billion to return the qualitative edge to our ASW forces.

I don't want to belabor the subject. That is our concern. We think this is an absolutely vital issue for the country. Thank you, sir.

The CHAIRMAN. I agree. Thank heavens for Clancy, and that he wrote his book. This crowd up here is awakened to it. That is one thing Republican and Democrat, conservative and liberal, President and Congress can agree on, to give Toshiba a fit now, and perhaps Kongsberg, because we learned about, as you indicate, technology of those screws and propellers, and it has cost us very very dearly.

But we've got to beat this crowd, and you just can't do it in a confrontational way. We've got to be as clever as they are. I happen to agree—Glasnost is nothing more than ideological warfare, and they're having a wonderful time sending Congressmen over to look at the radar, not understanding the position of the radar on the one hand, and its propensity and capability on the other hand.

They said "we looked in, it's lousy looking and not even working." I mean, they become part of the mechanization. But I wouldn't call my Congressional friends Communist.

Mr. PHILLIPS. I wouldn't either. Nor have I called Mr. Verity a Communist.

The CHAIRMAN. Well, you know, you get right near it when you say old Gorbachev's got a spokesman. But in any event, that is my point.

I don't know. Maybe we can use trade. If we can get a few items over there—Watch them with COCOM, watch them with the de-

fense group, make sure that technology doesn't arrive. Yet at the same time, trade, because they're coming in. Not just on textiles, on everything. They have learned it is a wonderful weapon.

They have learned on the one hand to forget about all the missiles. If we can get rid of them all. You can't talk about chemical warfare in Europe. Soviet troops train with it regularly. Their particular air corps, if you want to call it that, and their fuel supplies and everything have the very same nozzles and everything else that ours have, but our forward air fields. They don't expect to destroy the fields. They expect to put in the chemicals and get rid of us, move in, use those same fields and move forward.

They know what they're doing. But you and I can't even get a little hundred million dollars for Contras to protect the western hemisphere where we're starting another Cuba. There ain't any question about it. But you've got this crowd running around, "peace peace peace."

The best way, as Washington said, to preserve the peace is to prepare for war. But this crowd is not prepared. We can't get a hundred million for the Contras. But we're going to spend a hundred million out in the Persian Gulf for a little old pick up nation that won't even let us land at Kuwait. We're in a heck of a fix.

So you've got to talk more persuasively. We've got to get some allies for what you both believe in because we're losing the battle here in this national Congress, I can tell you that.

Mr. PHILLIPS. Senator, let me briefly, if I may, quote two people whose views may be more congenial to some of your colleagues than mine.

One of them is Helmut Sonnenfeld, who in 1980 in the wake of other Soviet developments was quoted as having said, "We handled our military deterrent and our economic incentives badly." He was speaking of the Kissinger era. "We now see that the dichotomy between cooperation and competition is false. The relationship is exclusively competitive, requiring a permanent strategy and an indefinite effort."

And then Mr. Richard Pipes, in his new book "Survival Is Not Enough," has said, "Speaking realistically, the only justification for East-West trade is for western firms to make money and for Communist countries to acquire advanced technology. Every other excuse involves either self-deception or hypocrisy."

Now, I have nothing against private companies making money. But I do think that the time has come when we have to weigh in the balance the advantages that are achieved by those private concerns on the one hand, and on the other hand the national security interests of the United States.

I know that you have conscientiously tried to weigh that issue. While we may not agree on this particular question, I appreciate your efforts in that regard.

The CHAIRMAN. Well, I appreciate it. There is a lesson that we have got to learn in Washington. That is that you can produce anything anywhere. I learned that 25 years ago as a southern governor.

We put in technical training. I can give Dukakis a list of industries that we moved out of Boston on Highway 128. He can't give me one that has moved back up, I can tell you that.

But if I can train my farm boys in South Carolina—and we've got Digital. Eighty percent of the computer boards are made in Greenville, South Carolina. Cincinnati Milicron, I can go down the list—if I can train them, the Chinese and the Koreans and the Singaporeans and the Indonesians can train their people. You can produce anything anywhere. And that technology just moves. Not defense necessarily. We've got to hold onto it. But we're living in a real international competition.

I've got colleagues on the floor of the Congress jumping up and down about jobs, "We've got to save jobs. We've got to save the industry." Our policy of a non-policy in trade just drives out industry, because they said we can't fool around. Hell, they can just move the whole plant out and be gone. And that's what they've been doing.

And we just met with a large group of them out in Korea. So we're going to have this economic thing as a tool then we'd better use it as a tool. That's what I was trying to impress on the Secretary designate. You've got to use trade as a leverage. I never heard of not using trade as a leverage.

But that's the policy of touch-me-not, like we're in some civics history class and not in the real world. It's not going to work.

But we appreciate your appearance here today. I don't know how I'm going to change this administration's mind with respect to that leverage on trade and with respect to the Soviets. They're going to move in just like the Chinese are moving in now. That's the competition. That's what's forcing them. Because they'll be really left behind by the Peoples Republic and Deng.

That is where we are today. We've got to get a Secretary on board. This man is an outstanding business leader. He's got friends in all your groups, the Industrial Council particularly.

Mr. HARRIGAN. Only two that I know of, Senator.

The CHAIRMAN. Only two that you know of? I heard he got more. You're not going to get rid of them, are you? Huh?

Mr. HARRIGAN. Take their money and use it against them?

The CHAIRMAN. Very good. We appreciate both of you appearing here today.

Mr. PHILLIPS. Thank you very much.

The CHAIRMAN. I have talked with Senator Danforth earlier. It appears that the questions that have been submitted by the members can be answered. It could be that we could act on this one way or the other, or at least consider it, next Wednesday. We do have a hearing with respect to Fisheries at 9:30. But we might put that off until 10 and try to move along on this particular one, because the Administration is not only without the Secretary, but without the Under Secretary who is ill, and losing its director of NOAA, and everything else over there. So we want to move as promptly as we can.

Thank you very much. The committee will be in recess.

[Whereupon, at 12:50 p.m., the committee adjourned.]



ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

HARVEY & BATTEY, P.A.,
Beaufort, SC, August 10, 1987.

Hon. STROM THURMOND,
U.S. Senator, Senate Office Building, Washington, DC.

DEAR STROM: C. William Verity and his wife Peggy bought a home in Spanish Point here in Beaufort a little over a year ago, and since that time have become very active in the life of our community and close personal friends of Helen and mine. I am delighted to see in the media that Bill is expected to be nominated as Secretary of Commerce this week to succeed the late Malcolm S. Baldrige.

Bill has impressive credentials for this position and I just wanted you to know that we in Beaufort consider him to be a great guy. He is friendly, personable and thoroughly knowledgeable about every facet of business, trade and commerce. The Veritys now consider Beaufort their permanent home, but he has kept up his many contacts and connections with the world of business and commerce.

If you have not already done so, I thought that you might wish to speak to the President about what a splendid nominee C. William Verity, Jr., would be as Secretary of Commerce and I strongly commend him to you for your support in the Confirmation Hearings.

Helen joins me in kindest personal regards and best wishes to you and Nancy.

Sincerely,

W. BRANTLEY HARVEY, Jr.

SPARTANBURG, SC, August 31, 1987.

Hon. STROM THURMOND,
Russell Senate Office Building, Washington, DC.

DEAR SENATOR: I am writing in connection with the nomination of Mr. C. William Verity to the Secretary of Commerce. I have known Mr. Verity for more than fifteen years and recognize him as a man of the highest integrity, fine character and patriotism. He is an excellent choice for this Cabinet position and I strongly recommend your support for it.

Mr. Verity spent most of his working career with Armco, Inc. of Middletown, Ohio. He has been recognized as a man of innovation, public spirit and very good judgment. His business experience includes not only the U.S. manufacturing and associated operations, but also subsidiaries in the Far East, Latin America and Europe so that he has experience with business practices and conditions throughout the world.

His familiarity with and commitment to the success of American business is exemplified by his service as Chairman of the Chamber of Commerce of the United States several years ago. He also has an extensive list of civic and charitable affiliations which clearly indicates his respect for fellow man. As a matter of fact, Yale University has recognized him for his enlightened leadership by awarding him an Honorary Doctors Degree.

Several years ago he served as Head of the U.S.-Soviet Trade Council, a private sector business organization which was established by the U.S. Department of Commerce in the mid 1970's as an instrument of national policy to further commercial relationships with the Soviet Union. President Nixon under whose Administration this organization was formed, felt that commercial relationships between these two important world powers could be a factor in improving relationships, but he also recognized the wisdom of restraining the accessibility of high technology to the Soviets. I believe that Mr. Verity shares these views regarding US-USSR trading relationships and aspires to help US workers and farmers with exports of their products short of exporting high technology.

As you know, Mr. Verity and his wife earlier this year moved to Beaufort, S.C. from Middletown, Ohio. Although some refer to him as a "septuagenarian", I can testify to his good health and vigor having played tennis with him and his wife and assure you that they have cheated father time in a most unpleasant way as far as their opponents are concerned!

With very best wishes, I remain,
Sincerely yours,

FREDERICK B. DENT.
STATE OF MINNESOTA,
St. Paul, MN, September 3, 1987.

HON. ERNEST F. HOLLINGS,
Chairman, Commerce, Science, and Transportation Committee,
U.S. Senate, Washington, DC.

DEAR SENATOR HOLLINGS: I am writing to express my deep concern over the nomination of C. William Verity, Jr., as United States Secretary of Commerce. Along with many Minnesotans and others across the country, I have serious reservations about Mr. Verity's ability to responsibly handle the position of Secretary of Commerce.

This position requires a person who will try to accommodate competing concerns with an eye that looks beyond narrow corporate interests to the national interest. Corporate America's need to make money must be balanced against the American worker's need to make a living in a sound, healthy environment. We in Minnesota have seen that Mr. Verity does not possess the accommodating spirit which would allow him to look beyond the corporate bottom line.

More specifically, Mr. Verity's role as CEO of Armco, Inc., from 1971 to 1979 raises questions about his fitness to serve as Secretary of Commerce. During that period, Armco was joint owner of Reserve Mining. Reserve, based in Babbitt and Silver Bay, Minnesota, dumped 67,000 tons of solid waste into Lake Superior every day starting in 1955. This 134 million pounds of refuse contained trillions of asbestos-like fibers. The United States and the states of Minnesota, Wisconsin, and Michigan brought suit to halt the contamination of Lake Superior and Duluth's water supply in 1972.

One year later, the taconite trailings were found to be potentially carcinogenic. Yet, Reserve, under Verity's command, attempted to block federal court orders to stop the dumping and dragged the case through the courts for seven years. All the while, Verity's company continued to pollute Lake Superior. And, throughout the litigation, Verity engaged in high-level lobbying in Washington to forestall government action against the company.

Only in 1980 did Reserve finally implement an on-land taconite disposal system. Mr. Verity and Reserve continually denied all liability and, today, Verity remains an unrepentant polluter.

As your Committee investigates the Verity nomination, it needs to consider whether an individual who headed a corporation responsible for the mass dumping of potentially carcinogenic waste into Lake Superior should now serve as Secretary of Commerce?

Verity has also played other roles which raise questions about his fitness to be Secretary of Commerce. As Commerce Secretary, Verity would be the nation's top trade law enforcement official. Yet, apparently his past actions in the private sector are inconsistent with that of an individual responsible for protecting American industry against unfair foreign competition.

As a member of Chase-Manhattan Bank's Board of Directors, Verity apparently helped undercut the entire economy of northern Minnesota and other United States iron ore mining regions. The Chase-Manhattan Bank made billions of dollars in loans to Brazil during Verity's tenure on its board. Some proceeds from these loans went to develop what is now the world's largest iron ore mine—the Carajas project. As a result, Brazil is now marketing 25 million metric tons of iron ore. Next year the rate will rise to 35 million tons.

This Brazilian government-subsidized iron ore production, mined by cheap labor and financed by Chase-Manhattan, now competes directly with Minnesota's Mesabi Range and the rest of the nation's iron ore mining areas. The Brazilian development worsens an already glutted iron ore market and threatens three of Minnesota's six remaining iron ore pellet plants (*World Steel Dynamics* 5-26-87 through 5-28-87, Paine Webber).

Again, your Committee needs to investigate some important issues: Did Verity approve the investment of American capital to build iron ore mines in Brazil? If so, Verity has helped place the dynamite and depress the plunger on the American iron

ore industry. Should an individual who helped export American jobs now be the nation's top trade law enforcement official?

I believe the chief enforcer of the United States trade laws should not be a man who participated in decisions resulting in the export of American jobs and further increases in America's record high trade deficits. And, the Secretary of Commerce should not be a man whose narrow focus on the corporate bottom line prevents him from seeing the public interest.

America can do much better. American business, American workers, and the American public deserve much better. We should not allow an individual, who has done so much to destroy both the environment and workers' livelihoods, to be elevated to the position of Secretary of Commerce.

Best regards,

HUBERT H. HUMPHREY, III,
Attorney General.

UNION OF COUNCILS FOR SOVIET JEWS,
September 4, 1987.

Hon. ERNEST F. HOLLINGS,
*U.S. Senate, Russell Senate Office Building,
Washington, DC.*

DEAR SENATOR HOLLINGS: The nomination of C. William Verity for Secretary of Commerce raises serious concerns among the 100,000 members of the Union of Councils for Soviet Jews. We are alarmed at the implication of his reported views, in general, opposing legislation linking human rights and emigration for Soviet Jews with trade, and his long-standing opposition of the Jackson-Vanik and Stevenson amendments, in particular, which are the symbols and substance of U.S. support of Soviet Jewry. We therefore respectfully urge you to probe these matters in your confirmation hearings, and to include this letter, in lieu of our testimony, in the hearing record.

Beginning with the Jackson-Vanik Amendment to the Trade Act of 1974, often referred to as the Freedom of Emigration Act for Soviet Jewry, the Union of Councils has been in the forefront, with the Congress, in supporting economic legislation and policies designed to encourage the Soviets to improve their record on Jewish emigration and human rights, to make them pay an economic price for continuing to engage in state-sponsored anti-Semitism and cultural genocide. The genius of the late Senator Henry Jackson's most precious legacy to the cause of Soviet Jewry lay in the lesson he drew from the 1930's and 1940's: No government that oppresses its innocent citizens will reform its brutalizing and murderous policies so long as the Free World continues to conduct "business as usual" with it.

Throughout their history, legislation such as Jackson-Vanik and the later Stevenson Amendment have been opposed by advocates coming from opposing and essentially self-cancelling positions. Some oppose the measures as being improperly restrictive of trade, denying our economy of the potential benefit of trade with Russia and other Eastern bloc countries. Others say the measures are at best weak economic "sticks," since trade with the Soviets is minimal anyway, are essentially "symbolic," and thus should be weakened or abandoned in the service of offering Moscow a "carrot" or reward for minimal or promised improvement.

While we vigorously reject both arguments, there is one aspect of each that is correct. By and large, these amendments have succeeded over the years to force the Soviets to confront seriously, though not sufficiently, the United States' commitment to human rights and a "high and sustained" level of emigration for Jews and other persecuted minorities. Thus, the economic "stick" is credible—otherwise the Soviets and the pro-U.S.-Soviet trade groups would not be calling for its abrogation. And, it does have "symbolic" value. But such value is all-important, not a negligible one to be bartered cheaply away.

Jackson-Vanik is not only an irritating symbol to the Soviets, saying to them that because they do not measure up to civilized standards of behavior they must suffer the demeaning, second-class position of a nation lacking Most Favored Nation status; Jackson-Vanik is a steady beacon of hope to Soviet Jews, focusing the spotlight of America directly on the desperate lives of the Refuseniks, and reassuring them that we and our government stand with them, that our commitment to their rescue is constant and unshakeable. The force of this symbolism, like our famous Iwo Jima Memorial, has the effect for Soviet Jews of our planting the American flag and its call to freedom smack in the middle of the Gulag. Selling out cheap could deal a mortal blow to their life-sustaining morale. To do so would be, in our judgement, catastrophic.

In reviewing the record of his public statements going back to the mid-1970's, we find that Mr. Verity has opposed the Jackson-Vanik and Stevenson amendments, and all legislation and public policies tying human rights to trade. He believes that such policies improperly impede the flow of commerce, that business as usual should be a higher priority than human rights and freedom of emigration.

Mr. Verity's views on this important subject may not necessarily adversely reflect on his capacity to fulfill the other missions of the Department of Commerce. However, his views run counter to long-established Administration and Congressional policies with respect to linkage between human rights and trade. We do hope, therefore, that he will define clearly and publicly in the course of your hearings, his commitment to this important policy issue in the context of his official responsibility as Secretary of Commerce. Toward that end, we request that you address the following questions to Mr. Verity during his confirmation hearings:

(1) What is Mr. Verity's understanding of the Administration's position on human rights and Soviet Jewry with respect to its trade policy vis a vis the Soviet Union?

(2) To what extent do Mr. Verity's views on human rights and Soviet Jewry related to trade differ from Administration policy?

(3) Will Mr. Verity be able to support and carry out Administration policy in this area, notwithstanding his own personal views?

For your information and for the record of the hearings, we have enclosed¹ a copy of "Gorbachev at the Bank," a related article from the upcoming October issue of *Moment* magazine, which further highlights our position.

Thank you for your consideration of our views.

Respectfully,

PAMELA BRAUN COHEN,
National President.

MICAH H. NAFTALIN,
Washington Representative.

SEPTEMBER 9, 1987.

HON. ERNEST HOLLINGS,
U.S. Senate, Washington, DC.

DEAR SENATOR HOLLINGS: We are concerned with what appears to be a growing adversarial relationship between the National Oceanic and Atmospheric Administration (NOAA) and coastal states with federally approved Coastal Management Programs (CMPs). As NOAA is part of the Department of Commerce, we ask you to bear in mind the following concerns as you consider the nomination of C. William Verity for Secretary of the Department of Commerce.

As a primary author of the Coastal Zone Management Act (CZMA), you are aware that NOAA is charged with administering CZMA, which establishes a state and federal partnership to wisely manage and protect the nation's coasts. Yet recent developments indicate that NOAA is attempting to usurp legitimate state decisions about the management of state coastal zones by replacing state authority with federal management mandates. NOAA's Office of Ocean and Coastal Resource Management (OCRM) also appears to be ignoring CZMA's protection of our fragile and severely threatened coastal resources.

Two recent events are examples of NOAA's attempts to constrict a coastal state's decisions about uses of its coastal zone. First, OCRM recently released Draft Evaluation Findings for the California Coastal Management Program. In its findings, dated August 19, 1987, OCRM found that the state of California is "deviating in several important respects" from its federally approved Coastal Management Program, and from the terms and conditions of its financial assistance award (Draft Evaluation at 69). Such a conclusion is a trigger under CZMA Section 312(d) for withdrawal of federal approval of the Management Program, and of federal financial assistance.

Yet several of the listed "deviations" involve no more than the state's method of implementing its Coastal Management Program, which was initially approved by NOAA in 1977. Indeed, the recommendations included in OCRM's review are, by and large, attempts to dictate to the state the manner in which it will manage its coastal resources, especially in regard to Outer Continental Shelf energy development. Notably, the Draft Finding fails to place any emphasis on the state's accomplishments in protecting its natural resources. Such pronouncements by NOAA threaten both the letter and spirit of the state and federal *partnership* embodied in the Coastal Zone Management Act.

¹ See "Gorbachev at the Bank," vol. 12, no. 6, Oct. 6, 1987, *Moment*.

NOAA has attempted to curtail state decision-making powers in a second recent event involving Alaskan Local Coastal Management Plans. On September 2, OCRM disapproved three Local Plans. OCRM appears to have disapproved those Local Plans because they do not accommodate energy development to the extent the Alaska Oil and Gas Association would like. The efficacy of the Plans in protecting Alaska's extraordinarily valuable environment is nowhere weighed in the balance.

These recent developments raise serious doubts about NOAA's commitment to a fair and equitable partnership with states in managing coastal resources, as provided through CZMA. Leadership provided by the new Secretary of Commerce will have a significant impact on NOAA's future conduct. We therefore urge you to closely examine Secretary-Designate Verity's commitment to the letter and spirit of CZMA. It is important to ascertain how he intends to proceed with respect to the California CMP review, if he were to become Secretary of Commerce.

We believe that it is important for the new Secretary of Commerce to understand the strong support in Congress for thoughtful, farsighted management of this nation's coastal resources. Enclosed are questions we hope you find an opportunity to pose to Mr. Verity during the Senate Commerce, Science and Transportation Committee's hearing on the nomination.

Your commitment to the integrity of our coasts facilitated passage of the Coastal Zone Management Act, and your support of it has fostered strong working relationships between federal, state and local governments entrusted with the crucial task of protecting the country's coasts. Your consideration of Mr. Verity as Secretary of Commerce is another important step in the process of wisely managing America's coasts.

Sincerely yours,

Sarah Chasis, Coastal Project Director, Natural Resources Defense Council, Inc.; Beth Millemann, Director, Coast Alliance; Clifton Curtis, President, Oceanic Society; Vivian D. Newman, Chair, National Coastal Committee, Sierra Club; William Lienesch, Director of Federal Activities, National Parks & Conservation Assoc.; Barbara Fegan, Coordinator, Coast Watch; Todd Miller, Executive Director, North Carolina Coastal Federation; Judith C. Johnson, President, Committee to Preserve Assateague Island, Inc.

VIRGINIA TAXPAYERS ASSOCIATION,
Lynchburg, VA.

TO: SENATOR ERNEST HOLLINGS.

Members of Senate Committee on Commerce.

My name is Robert Merrill and I am vice-president of the Virginia Taxpayers Association, an organization that keeps abreast of State and National affairs. Members of the VTA have testified at least seven times before Congressional Committees and, of course, countless times at Richmond, Virginia, our State Capitol.

I come before you today to ask you not to confirm the nomination of Mr. C. William Verity to the position of Secretary of Commerce. Not that we have anything against him personally, but that we strongly believe that his philosophy of trade and aid to Communist Russia is a short sighted policy and will eventually lead to the destruction of our Republic.

In order to believe this, you must understand and accept the concept that most of the top leaders of the multinational companies and the members of the Council on Foreign Relations believe and agree on one goal—that is, that the USA and the USSR must be merged into a one-world socialist empire. Hard to believe? Yes, it is hard to understand how Americans would sell out their country. But, you better believe it, if you want to understand present trends. What have these people to gain? I don't know, unless they are driven by some unreal idealistic dream, but, then they may think that they will end up controlling their merged empire from the top.

How does Mr. Verity fit into this picture? Precisely this way he has long been an advocate and sponsor of selling or trading on credit high tech equipment or machines to the Soviet Union. And, why is this dangerous to our Republic? Because such sales further enhance the Russian war effort or reduces their development time and costs so that they will have more money to allocate to their war effort. How foolish it is for the USA to continue aid and trade with Russia and at the same time spend over 300 billion dollars a year on armaments to fight off the Russian war machine. Can you think of any way to be more foolish. Furthermore, the idea that the only value that counts are the materialistic and dollar-sign ones is wrong and self defeating in the long run.

Specifically, how doe Mr. Verity fit into this picture? Here is a brief sketch of some of the activities that would help the USSR more than the dollars received

would help the USA. In 1978, while CEO of the Armco Steel Corporation he vigorously sought permission to build a steel plant in Russia. Although the permit was turned down because of Russia's invasion of Afghanistan, this action shows the mind-set of the man, for surely nothing could help the Russian war machine more than a steel mill. He was one of the original 26 member board of the US-USSR Trade and Economic Council and he was chairman of USTEC from 1977 to 1984. Several times he has written advocating more trade with the Soviets and he seems to have adopted the idea that if we trade enough with the Russians they will "mellow" and become good neighbors. Bunk! Have you seen any significant mellowing or lessening of their police-state tactics or a withdrawal from Afghanistan as a result of our high tech trade? No way, the leadership of the USSR is still committed to world domination and Gorbachev's "glasnot" is merely window dressing. Let us instead keep our defense and armor strong and decline to affirm the nomination of Mr. Verity. Such an action would send a clear message to the Soviets and appeasers in this country.

I can close in no better manner than reminding you of Lenin's remarks—the Western businessmen will be glad to sell us enough rope with which to hang them.

ROBERT E. MERRILL.

STATEMENT OF THE NATIONAL CONFERENCE ON SOVIET JEWRY

SOVIET JEWRY AND THE TRADE COMPONENT

History of the Jackson-Vanik Amendment

Section 402 to the Trade Act of 1974, known as the Jackson-Vanik Amendment, was first proposed by Senator Henry M. Jackson in response to an exorbitant education tax established by the USSR to halt, primarily, the emigration of Jews from that country. It was later co-sponsored by Representative Charles Vanik. After passage by an overwhelming majority of both the houses of the Congress, it was signed into law by President Gerald Ford January 3, 1975 as the Freedom of Emigration Amendment to the Trade Reform Act.

The law applies to all communist countries ("non-market" economies), and provides that MFN ("Most-Favored-Nation" tariff status), and US government credits and guarantees, will be withheld from any "non-market" country, until the President determines that the country neither denies its citizens the right or opportunity to emigrate, nor imposes an excessive exit tax to limit (or exploit) emigration. (In East Europe, Hungary, Poland, Romania and Yugoslavia have been granted MFN status, at various times.)

Following extensive negotiations, Secretary of State Henry Kissinger and Senator Jackson exchanged letters on October 18, 1974, outlining assurances of specific liberalized emigration practices, which Kissinger stated he had received from the Soviets. Partially due to these assurances, the amendment was altered to allow an eighteen-month waiver, renewable annually, provided that the President:

(a) certifies to Congress the granting the waiver will promote the objective of free emigration, and

(b) that he has received assurances from the country receiving the waiver that its emigration practices will be substantially liberalized.

A separate amendment to the Export-Import Bank bill introduced by Senator Adlai Stevenson III in December 1974, set a \$300 million ceiling on US backed credits to the USSR, over a four-year period. While not part of the Jackson-Vanik Amendment, and not necessarily in accord with the sponsors' goals, it was interpreted by the Administration, and later by Soviet officials, as being tied together.

NCSJ Position

The Jewish community view is that many aspects of a US-USSR relationship hold a potential for Jewish emigration activists. Trade links between the two countries, among other bilateral ties, offer special hope to those struggling to be repatriated to Israel, and to rejoin their families. The prevalent view is that further efforts to enlarge trading activity between the US and the Soviet Union should reflect an understanding of the reciprocal obligations involved, including the protection of human rights.

The basic objective of the amendment, as a tangible legislative expression of support for human rights, still has widespread support as long as the USSR desires US credits to purchase American technology, or seeks to expand exports to this country.

According to the original sponsors, and their supporters, the Jackson-Vanik Amendment was not meant to block trade with any country, but to give it a "human dimension." Later, Senator Jackson was to explain that the amendment was "not locked in concrete," since it was designed to facilitate emigration.

The current view is that a *sustained and significant increase* in emigration, with the positive resolution of the cases of long-term refuseniks, would provide an opportunity for the President to make the required report on emigration to Congress, enabling him to waive the restrictions of the Jackson-Vanik Amendment for the initial eighteen-month period. At the end of that time there would be an assessment to determine continued compliance and eligibility for further annual extensions.

STATEMENT OF THE COLORADO COMMITTEE OF CONCERN FOR SOVIET JEWRY

The Colorado Committee of Concern for Soviet Jewry, a member of the Union of Councils for Soviet Jews, submits the following materials in opposition to the nomination of Mr. C. William Verity, Jr. as Secretary of Commerce.

RECOMMENDATIONS

Our organization urges the Senate to:

1. Reject Mr. Verity's nomination; and
2. Schedule hearings forthwith to ascertain the Reagan administration's policy on:
 - (a) subsidizing or facilitating capital transfers to finance Soviet trade; and
 - (b) using taxpayer-backed credits and loans in a hostage swap for a quota of Soviet Jews.

SYNOPSIS

Mr. Verity advocated weakening U.S. human rights law during one of the most repressive periods in recent Soviet history. He did so on Radio Moscow.

Mr. Verity's policies would harm American consumers and businesses.

Mr. Verity recommends a hostage swap, granting the USSR Most Favored Nation trade status and taxpayer-backed credits and loans in exchange for a quota of Soviet Jews, which would harm human rights and damage long-term U.S. interests.

STATEMENTS ON RADIO MOSCOW

On March 7, 1984, Radio Moscow broadcast an interview with Mr. Verity, who visited Moscow as co-chairman of the "U.S.-U.S.S.R. Trade and Economic Council."

Using Soviet airwaves, Mr. Verity attacked bipartisan U.S. human rights policies: On increased trade and other aspects of the Soviet relationship:

"I don't think it's really possible at this time to separate trade from the political environment, they're just too closely tied together, and that's unfortunate, because trade should not be tied to political situations."

On Congress and the Jackson-Vanik amendment:

"I think the Jackson-Vanik amendment was one of the terrible mistakes that was made by American politicians . . . I believe that the Jackson-Vanik amendment can be amended so that it won't have the effect that it's had now. I just don't know how at the moment that we can amend the Jackson-Vanik amendment but there's a lot of talk about it in the United States. I think the business community would like to eliminate the amendment because it's just a barrier to trade with the Soviet Union and it does no good."¹

On Most Favored Nation status for the USSR:

"In 1972, a trade agreement was made in which one of the purposes was to grant Most Favored Nation to the Soviet Union. I believe that still is a possibility and I believe it should be done."

Should the U.S. have a Commerce Secretary who used Radio Moscow to denounce a U.S. human rights law? Who did so while Russian civil rights workers supporting the American law at personal peril were being persecuted?

¹ Nobel laureate Dr. Andrei Sakharov called the Jackson-Vanik amendment "a moral approach to political problems, in accord with the moral principles of American democracy." *Alarm & Hope*, Vintage Books (1978) p. 26.

OPPOSING HUMAN RIGHTS LEGISLATION

Along with Dr. Armand Hammer, Mr. Verity was among the founding Directors of the "U.S.-U.S.S.R. Trade and Economic Council," an organization described by a scholar from the Harvard Russian Research Center as a de facto lobby against the Jackson-Vanik amendment:²

The Trade Council was inaugurated on October 1, 1973, at a dinner in the Granovitovaya Palata in the Kremlin. Earlier in the day, Treasury Secretary Shultz had met with Brezhnev to discuss the Nixon administration's strategy for squelching Henry Jackson's [Jackson-Vanik] amendment * * *

The next day, Shultz met for two hours with Kosygin and [Council officials] gave a news conference to announce the Council's formation. Most of the conference was taken up with the subject to granting the Soviet Union most-favored-nation (MFN) status * * *.³

On September 10, 1987, Mr. Verity testified before the Senate Commerce Committee that the "first time I realized that Jackson-Vanik was a problem with trade was in 1975." Mr. Verity's claim is incredible, since he was among the Council's founding Directors two years earlier in 1973.

WARNINGS FROM CIVIL RIGHTS WORKERS

Mr. Verity's nomination contravenes warnings by former and present Soviet citizens who risked their lives to promote trade in people and ideas.

Attached as Exhibit B is a statement by former Soviet civil rights campaigner Vladimir Bukovsky made in 1985 to the Coalition for a Democratic Majority, the organization founded on the principles of the late Senator Henry Jackson.

Mr. Bukovsky urged that MFN, credits and loans be made dependent on complete, not partial, Soviet compliance with its existing human rights agreements:

Some misguided individuals in the U.S. are advising President Reagan that he can promote human rights by increasing Soviet trade. Their advice contradicts the essence of the human rights movement. Andrei Sakharov himself warned, "Weakness, or even the hint of weakness and vulnerability to blackmail, is inconsistent with the defense of human rights and can lead to tragic consequences." * * * If President Reagan succumbs to the canard that compliance with human rights agreements depends on "better relations," he will assist the Politburo in vaporizing the final molecules of the Helsinki Accords.

In addition to supporting the Jackson-Vanik amendment, which Mr. Verity opposed, Nobel Peace Prize laureate Dr. Andrei Sakharov wrote:

Speaking of trade, industrial and general economic relations, Soviet propaganda usually stresses their mutually profitable nature. These assertions should be analyzed with care. Of course, once a particular company or Western country has gotten a jump on its competitors, it may realize temporary benefits, but on the whole, it is the USSR and the countries of Eastern Europe which are vitally interested in acquiring technology and credits. It will be totally unforgivable if the West fails to use this leverage to open up Soviet Society.⁴

Mr. Verity opposed U.S. Human rights efforts which Soviet citizens risked their lives to endorse. His record shows acceptance of even the most repressive status quo.

Would Senator Henry Jackson vote to confirm Mr. Verity?

ECONOMIC CONSEQUENCES NOT ADDRESSED BY MR. VERITY

Mr. Verity failed to address important consequences of Soviet trade which could hurt consumers, businesses and U.S. interests in a variety of ways, described below in broad terms.

a. Capital transfers

Americans don't accept nonconvertible Soviet rubles for their goods; they expect dollars. Those dollars would come from U.S. banks. That capital would be less available for American borrowers.

Soviet borrowing would bid up interest rates, making loans for Americans more expensive. In contrast, Soviet loans would likely be syndicated at rates below market, making American borrowers pay higher rates to subsidize below-market Soviet borrowing.

By advocating waiver of the Jackson-Vanik amendment, Mr. Verity would give the Kremlin access to *taxpayer backed* credits and loans from the Export-Import

² Finder, Joseph, *Red Carpet*, Holt, Rinehart & Winston (1983) p. 254.

³ *Id.* at p. 259.

⁴ Sakharov, A., *Alarm & Hope*, Vintage Books (1978) p. 109.

bank and other government agencies, promoting subsidized transactions unable to survive on the open market.

The USSR appears to use hard currency borrowing from western banks to sustain its empire and finance expansion. Such capital transfers could also give the Kremlin leverage in U.S. policymaking, empowering the Politburo to threaten future administrations with nonpayment.

b. Dumping and countervailing duty laws

Mr. Verity's policies harm domestic producers and American workers. A loophole exists in U.S. anti-dumping laws, exempting the USSR and east bloc regimes from countervailing duty penalties for dumping cheap, subsidized imports into the U.S. economy. Attempts by Congress to plug this loophole have been opposed by the administration.

Mr. Verity's policies would open the floodgates to Soviet goods produced for wages unacceptable in the west, sacrificing American jobs, hurting U.S. business.

c. Forced Labor

Closely related to dumping is the use of forced labor to run the Soviet economy. The Reagan administration has repeatedly frustrated efforts by Congress to apply U.S. laws on forced labor to Soviet imports.

Under U.S. law, forced labor is defined as:

"All work or service exacted from any person under menace or any penalty for its nonperformance and for which the worker does not offer himself voluntarily." 19 USC § 1307

Article 60 of the Soviet constitution provides in pertinent part that "evasion of socially useful work is incompatible with the principles of socialist society." Article 209 of the RSFSR's legal code punishes "parasitism," in practice, one's refusal to accept "socially useful work" as decided by the authorities.

In Congressional testimony, former Soviet political prisoner Vladimir Bukovsky, and Tom Kahn, Assistant to the President of the AFL-CIO, argued that all labor in the USSR could be viewed as forced labor, as defined under 19 U.S.C. § 1307, since it is exacted under threat of penalty for nonperformance and is not offered voluntarily.⁵

Mr. Kahn testified:

Not only has the administration failed to propose steps to enforce the law, but it appears to have moved toward the view that the problem is either nonexistent or beyond remedy * * *

One might well argue that [in the USSR] forced labor is not confined to the 4 million workers in the camps. Considering the parasitism laws, the internal passport system, and other restrictions on the rights of workers to move freely and choose their own employment—restrictions all the more coercive in the absence of a genuine trade union movement—we could conclude that practically everything we import from the Soviet Union is produced in the words of Smoot-Hawley [Tariff Act of 1930] "wholly or in part" by forced labor * * *. Forced labor is not confined to camps or prisons.⁶

Mr. Bukovsky agreed, and the assessed the value of a U.S. embargo on Soviet imports:

I believe such action will lead to a decrease in the use of forced labor. I also believe that such action might force the Soviet authorities to consider broader economic changes and reforms in labor laws. This would be definitely a step in the right direction, and an important message from America to Russian people—a message of concern about the latter's well-being and freedom.⁷

We agree.

A PROPOSED HOSTAGE SWAP

The Jackson-Vanik amendment states that if the President wishes to waive its restrictions by Executive Order, he must certify that the USSR does not deny its citizens the right or opportunity to emigrate, or that he has received assurances that the USSR's emigration practices henceforth will lead to that objective.⁸

The statute does not mention quotas, nor does it mention Soviet Jews.

⁵ Hearing Before the Subcommittee on International Trade of the Senate Finance Committee, July 9, 1985, (53-513) pp. 57-65.

⁶ *Id.* at p. 57.

⁷ *Id.* at p. 65.

⁸ 19 U.S.C. § 2432.

Nevertheless, Mr. Verity testified at this confirmation hearing that he would support waiving Jackson-Vanik if the Kremlin allowed approximately two percent of Soviet Jews to leave annually:

Senator KASTEN. I'd like if I could to . . . ask you to state your position and the position that you would advocate in the Cabinet with the policy on human rights and trade relative to the actual numbers of immigrants that we would want to see be able to see leave the Soviet Union before we would entertain a relaxation of trade restrictions. You may recall that in 1978, the number was approximately 50,000 immigrants who were allowed out of the Soviet Union. Is that a fair standard? Is that a fair benchmark?

VERITY. No I don't think 50,000 is. I think that was what you call a blip. But I do feel that there is a level and I don't know exactly what that level is.

Senator KASTEN. But you believe it would be less than 50,000?

VERITY. I believe it would be less than 50,000 * * *. I would say that a reasonable figure is someplace between 15 and 20-25,000. Perhaps that will not be satisfactory, that's certainly a good starting point* * *

Our organization considers the policy articulated by Mr. Verity morally reprehensible, legally indefensible and totally unacceptable.

Americans who opposed buying hostages from Iran will properly oppose using tax dollars to ransom a quota of Soviet Jews.

We oppose policies which substitute flesh peddling for the rule of law. Financing totalitarianism and abandoning millions to a police state damages U.S. interests.

We oppose and waiver of Jackson-Vanik until the Kremlin unconditionally and completely fulfills the human rights contracts it signed at Helsinki and removes its illegal barriers to people and ideas.

SPEAKING FOR AMERICAN JEWS

Mr. Verity said at his confirmation hearing that some Jewish leaders indicated that if the Soviet Jewish emigration increased sufficiently, American Jews would support a waiver of Jackson-Vanik. Mr. Verity's belief is unfounded.

When the press revealed that Edgar Bronfman, who heads the World Jewish Congress, and Morris Abram, who heads the National Conference on Soviet Jewry, secretly travelled to Moscow in March, 1987 and negotiated a hostage swap, the Jewish community reacted with outrage. Messrs. Bronfman and Abram were denounced by American human rights groups and by Soviet Jews themselves.

Long time *refusenik* Valdimir Slepak declared that Mr. Bronfman and Mr. Abram "are definitely persona non grata in our [refusenik] community."⁹ At New York's "Solidarity Sunday" rally for Soviet Jews, before a crowd of over 200,000 participants (including Mayor Koch), Messrs. Bronfman and Abram were publicly denounced, told to stay out of Moscow and warned to stop their harmful actions.

Messrs. Bronfman and Abram are the "Jewish leaders" whom Mr. Verity cites and whose actions he praises.

Mr. Verity has a quasi-conflict of interest in this matter. Mr. Bronfman serves on the Board of Governors of the "U.S.-U.S.S.R. Trade and Economic Council," the organization Mr. Verity co-chaired. Mr. Abram, an administration appointee, has estranged himself from the human rights community; among other things, he supports constructive engagement of the Kremlin, instead of divestment as recommended by Natan (Anatoly) Sharansky.

Neither American nor Soviet Jews support the hostage-swap, and the Senate should not confirm someone who does. Hearings should be convened promptly to determine to what extent the administration supports the hostage-swap.

UNACCEPTABLE ADMINISTRATION DOUBLE-THINK

We reject the recent self-serving statement from the administration paying lip service to the Jackson-Vanik amendment. The administration demonstrates pure double-think. Appointing an opponent of Jackson-Vanik doesn't support it.

We urge the Senate to compare Mr. Verity's present claims with his previous actions, and to reject as not credible representations which fly in the face of this unambiguous record described herein.

Would Senator Henry Jackson vote to confirm Mr. Verity?

⁹ New York Jewish Week, June 5, 1987.

CONCLUSION

Mr. Verity said on Radio Moscow that Soviet trade was "an important bridge to peace" which could lessen unemployment "which is a problem in our country." Would the Senate approve a Cabinet nominee who broadcast similar advice in 1937 over Radio Tokyo or Radio Berlin?

History has judged harshly those in the 1930's whose misguided policies aided totalitarianism. Those whose policies would do so today will be judged more harshly. Those who support Mr. Verity deserve to be so judged.

We urge the Senate to reject the nomination of Mr. C. William Verity, Jr. to head the Commerce Department.

We ask that hearings be convened promptly to determine administration policy on subsidizing or facilitating Soviet trade and on swapping credits and loans for a quota of hostages.

SAVE LAKE SUPERIOR CAMPAIGN,
Potomac, MD, September 1, 1987.

Hon. ERNEST F. HOLLINGS,
Chairman, Committee on Commerce, Science & Transportation,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: I hereby respectfully submit my strong opposition to the confirmation of C. William Verity, Jr. to be Secretary of Commerce. I urge you, the members of your Committee, and the entire United States Senate to deny Mr. Verity that public office. In his capacity as Chairman of the Board of the Reserve Mining Company, Silver Bay, Minnesota, Mr. Verity demonstrated a flagrant disregard for the public health and welfare, and for a national treasure beyond price—the legendary "shining Big Sea water"—Lake Superior that belongs to all of us. It has been written that the defilement of Lake Superior "would be the greatest crime in the pollution of fresh water of which man is capable." Alas, that came to pass.

I shall not attempt to recite herein the shocking facts of the notorious Reserve Mining case. Instead, I am enclosing a concise illuminating article, "Corporate Responsibility in Silver Bay," by John G. Mitchell. It was published in "Audubon" Magazine. I ask that it be made a part of your official record of the Verity hearing.

Despite Mr. Verity's intensive personal lobbying, the Federal Government responded to an outraged public and filed suit against Reserve. The States of Michigan, Wisconsin and Minnesota joined the United States Government in the suit. After nine months of trial (the most lengthy and costly environmental case on record), the Court enjoined the discharge. A copy of that decision is enclosed. Reserve immediately appealed, and the injunction was "temporarily" stayed. Within 48 hours after it was closed Reserve went back into operation. By means of a prolonged appeals process, Reserve continued to pollute pure Lake Superior and endanger the public health for six more years. What kind of citizenship is that?

To comprehend the enormity of Reserve's depredation consider that *Lake Superior contains one-twelfth of all the fresh water on our planet*. Its water was so transparent that fish were visible at 5 fathoms, and so pure that whole communities safely used it without treatment. That was *before* the Reserve Mining Company used it for a free private dump for private profit!

Reserve's profligate pollution of Lake Superior cannot be dismissed as a sin of the past. Those fearsome tailings may forever be in Lake Superior because of the lake's long flushing time. To make matters worse, erosion of the immense tailings delta in front of the plant will be a source of *continuing* pollution for eons. What a tragedy! To borrow from Mr. Mitchell in "Audubon, O'Veritas, O'Verity * * * and Good-Bye, Superior."

Mr. Chairman, I hold that Mr. Verity's role in the unconscionable pollution of Lake Superior and the creation of a serious public health hazard renders him unworthy of and unfit for public office.

I respectfully request that this letter and enclosed supporting materials be entered on the public record.

Sincerely,

VERNA MIZE,
Leader.

Enclosures.

CORPORATE RESPONSIBILITY AT SILVER BAY
By John G. Mitchell, photography
by Terrence Moore



There is nothing puny about the Reserve Mining Company of Silver Bay and Babbitt, Minnesota, except, perhaps, for its corporate soul, its social responsibility, and its good-faith standing in the congregations of the law-abiding.

Everything else—what Reserve is and does and causes others to do—is colossal. Other mining corporations in America may be larger and more profitable, but in one special sense this company is uniquely a giant. In just twenty years, with but two outfalls aimed at the blue expanse of Lake Superior, Reserve has managed to cast its industrial offal over 2,000 square miles of the world's greatest freshwater body and into the water supplies of a quarter-million people in two states. The offal contains trace elements of such minerals as copper, nickel, lead, zinc, chromium, and manganese. These, however, are of no significance compared to the trillions of tiny silicate fibers, each no larger than a red blood cell, that are flushed daily from Reserve's ore-processing plant at Silver Bay. Many scientists and doctors believe these fibers can cause cancer in humans. But because an accurate understanding of the morbidity of such things takes time, and because there are no corpses yet at the water taps of Superior and Duluth and Two Harbors, and because Reserve employs some 3,200 persons in a region of acute economic depression, with its payroll of over \$40 million and heavy tax contributions to the two counties in which it operates, silicate fibers may pour into the lake at Silver Bay for years to come. Exactly how many years will depend to a great extent on decisions now pending in the federal courts—and on the contrite good sense of Reserve's directors, none of whom, one suspects, could possibly relish the prospect of moral judgment should cancer of the larynx, pleura, gastrointestinal tract, or peritoneum ever begin to exact an excessive toll in human lives in the cities downcurrent from the outfalls of Silver Bay.

In taking the measure of a corporation, it is customary

to begin with goals. Though small and angry outside factions may voice dissent, the real goal of Reserve Mining is neither to induce cancer in Minnesotans nor to destroy the biomass of Lake Superior, but to produce iron ore pellets and pass them along profitably to its joint owners, the Republic and Armco steel corporations of Ohio. The pellets are dark gray, almost a half-inch in diameter, the size of a small-bore musket ball. Reserve produces 30,000 tons of them each day, or about 15 percent of the domestic ore consumed by the U.S. steelmaking industry. The profits, passed on directly to Armco and Republic, are substantial—nearly \$60,000 a day, two dollars a ton. Not bad. Understandably not bad at all when you consider that Reserve incurs virtually no operating costs whatsoever in the disposal of its mine tailings, which are likewise substantial. Gravity is cheap.

So it happens that from the gray shores of Silver Bay one can perceive a parting of the ways. One can see great ore freighters, their holds piled high with pellets, steaming darkly east toward Sault Ste. Marie; and soon the turning south to the piers of Cleveland and Toledo, and then the rail cars rolling to the blast furnaces where pellets become pig iron and pig iron becomes steel: then more rails, and assembly lines, and welders' torches, and finally the machines that will sell for two dollars a pound, or more, on the showroom floor at your friendly neighborhood automobile dealer's. Yet this is only half of it, and not even that. Because in the parting of the ways at Silver Bay, for every ton of processed pellets piled on an ore boat sailing east, two tons of tailings come roaring to the outfalls, down the sluiceways of the concentrating plant and lickety-split along the giant launders reaching nearly a third of a mile across a delta of crushed rock. Down it comes, around the clock, like a river of paste, 67,000 tons of solids suspended in two million tons of water, each gallon charged with billions of silicate fibers and each fiber honed from the milling to a fine cutting edge. From the lips of the launders the slurry is vomited across the edge of the delta to the lake; and while the heavier particles sink slowly toward the bottom of the so-called Great Trough offshore, the lighter ones sweep out into the prevailing Lake Superior current, which runs to the west, toward Duluth. On bright, dazzling days, from overlooks along the scenic North Shore Drive, you can see the milky green spoor of tailings in the water writhing with refracted light.

It looks so harmless. What's 67,000 tons of solids a day in a lake whose surface encompasses nearly 32,000 square miles? That is only two tons per section, if you could spread it around, and in some places the lake is 1,000 feet deep. A drop in the bucket? Well, perhaps. But Reserve's drop is estimated to be greater by a factor of five than all the sediments that are deposited naturally in the lake by erosion and streamflow. Or, to view the drop from a more graphic perspective, consider garbage. Everyone knows about garbage; and almost everyone knows that New York City produces more of it than any other city in the world. To be as exact as official statistics permit, the people of New York produce 28,500 tons of trash and garbage each day. That is a colossal amount of solid waste, but it is not even half as colossal as the amount of waste that is pouring this very day down the launders at Silver Bay.

A quarter of a mile out from Duluth's Lakewood Pumping Station, and 60 feet straight down, the mouth of a huge pipe yawns open and the water surges cold at 40 degrees into the pump house. The system is unfiltered. Chlorine, fluoride, and ammonia are added sparingly to the water. The idea is to kill bacteria. But there is no measurable destructive effect on silicate fibers. Centrifugal pumps force the treated water into seventeen reservoirs. From the reservoirs, as needed, the water feeds directly through 325 miles of mains to the faucets of Duluth.

The Lakewood Pumping Station is a landmark of sorts. It was built in 1897, and its bold Victorian lines are typical of the style in which that period's architecture was executed with classic heavy hands throughout the American Gothic Midwest. Some of the information in and around the Lakewood Pumping Station appears to be more or less of the same vintage. On a wall inside the pump house, for example, is the faded message: "The quality of the water is unsurpassed anywhere, having less than three grains per gallon hardness." There is another message outside the pump house—a sign on the shoulder of U.S. 61, which soon becomes the scenic North Shore Drive to Silver Bay. The sign reads: "Pure cold drinking water, 500 feet." And sure enough, 500 feet away is a roadside rest area and a water fountain fed by a pipe from the pump house nearby. The base of the fountain is constructed of ferrous metal, possibly of Minnesota ore. Turn the handle of the fountain. The water comes up crystal clear. It tastes good. The cold bites the teeth. Down the hatch to the warm beaches of the gastrointestinal tract. It seems so harmless, this cold, soft, soothing water. What's one or five or even ten million silicate fibers to a bucket as big as the human stomach? You can't see them. You can't taste them. You can't even feel them. Not yet.

THE BIWABIK FORMATION occupies the eastern end of the Mesabi Range, roughly extending from the vicinity of Eveleth, Minnesota, along a crest of low hills to the spruce bogs of Superior National Forest. The hills are covered with glacial drift, as much as 20 feet of it, and below the drift lies a flint-hard, dark-veined rock. The rock is very old, formed more than a half-billion years ago by sedimentation on the floor of a shallow Precambrian sea. Each successive layer of sediments put pressure on those underneath, so that as geologic time marched on the rock grew harder. Then volcanic intrusions came to bake the rock harder yet, fusing within it a variety of earthly

elements, but mostly silica and magnetite, the black oxide of iron. The rock is called taconite. It contains the stuff of which automobiles and bridges are made. And water fountains. And possibly, under recent unnecessary circumstances, cancer.

More than half the volume of taconite rock in the upper layers of the Biwabik formation where Reserve mines is composed of a metamorphic silicate mineral known to geologists as cummingtonite-grunerite: or if one prefers the formula, $(Mg, Fe) Si_2O_{22} (OH)_2$. Cummingtonite-grunerite is an amphibole, which means it belongs to a complex group of hydrous silicates generally containing calcium, magnesium, iron, silica, and aluminum. Its chemical properties are remarkably similar—if not identical—to those of asbestos, which is not a mineral per se but rather the commercial name for any tiny silicate fiber capable of performing colossal feats, such as resisting fire—or perforating human tissue. Cummingtonite-grunerite is not what Reserve Mining Company needs for its pellets. Reserve needs the magnetite, representing about a quarter of the volume of the crude rock. It is the magnetite, mainly, that Reserve extracts magnetically from the crushed rock at Silver Bay. The magnetite is made into pellets and posted by freighter to Ohio. The cummingtonite-grunerite is posted by launder to the shining big sea waters of Lake Superior, to the asbestos Gitchie Gume.

The taconite deposits at Babbitt, from which Reserve now strips some 30 million tons of rock each year, were discovered in 1871 by a prospector named Peter Mitchell. Wandering cross-country from Beaver River northwest toward Vermilion Lake, Mitchell noticed one day that his compass and dip needle were acting strangely. There was only one thing to do; he dug through the glacial drift. As a result, men have been digging there with such fierce intensity that Peter Mitchell's hole is now nine miles long, almost a mile wide, and up to 175 feet deep.

In the early days the mining of taconite was simple enough, but converting it into a blast furnace feed—at a cost comparable to and a quality competitive with that of the higher-grade hematite ores of the Mesabi Range—was something else. One company, organized at Babbitt in 1919, went broke in five years. Soon, however, the high-grade ores began to give out. And at the Mines Experiment Station of the University of Minnesota, E.W. Davis was hard at work developing a process that would allow Reserve, by the mid-1940s, to emerge as the pioneer of a new and profitable industry. The plan envisioned a 47-mile rail spur linking the company's mine at Babbitt to a huge processing complex at Silver Bay. The tailings? They would simply go into the lake with the blessings of the State of Minnesota.

Dumping permits were officially awarded to Reserve in December 1947. It was a time before most people in Minnesota or anywhere else had been exposed to either the principles of ecology or the politics of pollution; and when Reserve stated at public hearings that the tailings would be as pure as the driven sands of Superior, and that they would be contained within a nine-square-mile area of the lake, and that they would have no harmful effect on fish life, much less on human life, people—including the state's commissioner of conservation—tended to





believe. A few feisty fishermen raised forlorn objections, but their testimony was overwhelmed by Reserve's "expert" witnesses, many of whom then worked for the company or were soon to join the payroll. One state biologist, in an effort to determine the rate at which tailings would settle in the lake, conducted his experiments in room-temperature water bottles. As a team of environmental reporters noted later, "Lake Superior is obviously not a bottle of water." Another scientist, retained by Reserve with the understanding that he would testify at the hearings, determined independently that the tailings would indeed have an adverse effect on fish-spawning areas near Silver Bay. Reserve's attorney, W. L. Montague, declined to call the scientist to the stand. And so—on condition that the tailings would never discolor the lake beyond the nine-mile area, never adversely affect fish, nor cause unlawful pollution, nor have material adverse effect on public water supplies—the permits were granted. And construction moved apace toward that signal day in 1955 when, with the gates of the laundries thrown open, the first gray sleeve of tailings reached out to the lake. One can picture it even now—the sleeve, and the hand coming out, and the slurred middle finger, dripping with cumingtonite-grunerite, going up, straight up and nail-side out, to the face of America.

ARMCO STEEL CORPORATION of Middletown, Ohio, is the fifth largest steel producer in the United States. Republic Steel Corporation, with headquarters in Cleveland, is the fourth largest. Each company is represented by five of its top executives on the eleven-member board of directors of Reserve Mining Company—the eleventh member being Edward M. Furness, who is the president of Reserve but not the chairman of its board of directors. The chairman is C. William Verity Jr., top man at Armco and a figure of considerable prominence in Republican fund-raising circles.

Though some of his associates have fallen on bad times of late, things in general couldn't be better for C. William Verity Jr. In his annual report to Armco shareholders last year, Verity proudly described how all the company's profit

centers combined to achieve a record level of earnings in the face of inflation and price controls. The 1973 earnings were \$107.5 million, of which almost two-thirds came from the manufacture and shipment of some seven million tons of steel mill products forged, in large part, from Biwabik taconite ore. Elsewhere in the Armco annual report it is noted that a "corporate responsibility committee" has been established "to assure the board that the company is responding properly to its social responsibilities and to the public interest," especially in such areas as safety and "environmental improvement." Finally, on the back cover, appears a typical Armco advertisement. It shows an appealing three-year-old named Jenny, looking out a window into the waning light. The headline: "Pollution is waiting out there. How are we cleaning things up for her?" The answer supplied by the text is that Armco is working hard to recycle its wastes in Middletown and to "vacuum" air pollutants at four other plant locations. There is, of course, no mention of Armco's half-interest in the Reserve operations at Babbitt and Silver Bay, or of its resistance over the years to any and all efforts to clean up Armco's own untidy things from the waters of Lake Superior.

For most of the decade after Reserve, in behalf of Armco and Republic, administered to Superior the first of perhaps the last rites, only the fishermen and a handful of North Shore environmentalists took more than a passing melancholic interest in the situation at Silver Bay. But before long melancholy turned to militancy as reports were circulated that a federal biologist, Louis Williams, had information that dissolved solids from the Reserve outflow were unleashing nutrients in the water, thereby encouraging a bloom of undesirable algae. In Washington, D.C., meanwhile, environmental lobbyist Verna Mize, a native of Michigan's Keweenaw Peninsula (which juts into Lake Superior 130 miles east of Silver Bay), was making the rounds of congressional offices and demanding nothing less than total abatement of Reserve's discharge.

The first official response came from the U.S. Department of the Interior. Under the direction of its Great Lakes regional coordinator, Charles Stoddard, a Taconite Study Group proceeded in 1968 to take a long, hard look at the Reserve operation at Silver Bay. The group's findings, leaked early the following year despite attempts in high official places to suppress the information, did not win enthusiastic reviews—especially in the board rooms of the Armco and Republic steel corporations. Among other things, the Stoddard report found that suspended tailings were causing "green water" for distances of at least 18 miles southwest of the point of discharge, that lake currents were carrying some particles across state boundaries, that water quality standards for iron, lead, and copper were being violated, that bottom fauna important as fish food was adversely affected, that the tailings were lethal to the sac fry of rainbow trout, and that eutrophication of the lake was accelerating. In summary, the report recommended that Reserve be given three years' grace to investigate and construct alternate on-land disposal facilities. That was almost seven years ago, and Reserve, however reluctantly, is still investigating, presumably in the hope that it can somehow stretch its protracted period of grace into a plenary indulgence.

If anyone at the time doubted the determination of the Armco-Republic-Reserve consortium to obfuscate the issues, such charitable thoughts must surely have been laid to rest at the first of several federal water pollution enforcement conferences convened to examine the situation at Silver Bay. In a crowded Duluth ballroom in May 1969, Reserve President Edward Furness coolly repeated to the assembled conferees the same simplistic argument that had been offered at the permit hearings more than 20 years earlier. The tailings, he said, are "inert, inorganic, insoluble," like "the material that is washed from sand beaches" and eroded from cliffs by the waves. "From a conservation standpoint," he added, "Reserve's use of Lake Superior is sound. There is no waste of water, no injury to water ... No agency, industry, or individual—public or private—is more interested in preserving the high quality of Lake Superior than is Reserve Mining Company." Of course, Furness continued, ignoring the fact that at least five other mining companies in the Mesabi region dump their tailings at on-land disposal sites, "we would have located the processing plants near the mine if that had been possible."

The hearings and conferences continued for another two years, yet despite the accumulating evidence that Reserve's use of Lake Superior was anything but sound, no real government pressure was brought to halt the discharge. None, that is, until faint hearts in the old Federal Water Quality Administration were replaced by a new and aggressive team headed by Environmental Protection Agency Administrator William D. Ruckelshaus. In the spring of 1971 Ruckelshaus ordered Reserve to develop a water pollution abatement plan within six months or face the consequences of a battle in court. Reserve responded with an implausible scheme, rejected by Ruckelshaus, to pump its tailings directly to the bottom of Lake Superior.

In retrospect there is nothing surprising about the arrogance of Reserve and its parent corporations at the time, for who was young Bill Ruckelshaus to kick them around when they could count on such good friends as Maurice Stans, the Secretary of Commerce and Nixon fund-raiser who viewed Ruckelshaus as the figurehead of an eco-freak conspiracy? Stans had set up his own counter-insurgency group, the National Industrial Pollution Control Council, among whose esteemed members were none other than Republic Steel's president, Willis Boyer, and Armco's C. William Verity. Boyer then was vice-chairman as well of the Ohio Republican Finance Committee, and Verity was well-remembered for the money he had raised for the Nixon campaign of 1968. What's more, there were friends of big business and enemies of Ruckelshaus at large in the White House—namely, advisor Peter Flanigan and, according to Washington columnists Evans and Novak, one

Charles W. Colson. It was Flanigan who had come to the aid of Armco in another dispute with EPA, involving Armco's discharge of heavy metals into the Houston ship channel. From press reports and the transcript of hearings before the House Subcommittee on Conservation and Natural Resources, one can trace Flanigan's fine hand in negotiating for Armco a six-month delay in meeting the EPA compliance deadline. But this, of course, is so much dirty water over the dam, for Stans, Colson, and Flanigan are no longer with us in government. For a somewhat different matter, neither is William D. Ruckelshaus.

Yet in his time at EPA, Ruckelshaus did manage bravely to fend off intruding executive hands. At his insistence, on February 2, 1972, the federal government finally moved against Reserve. Joined eventually by the State of Minnesota and the Minnesota Pollution Control Agency as co-plaintiffs, and by Wisconsin, Michigan, and five environmental organizations, including the Save Lake Superior Association and Environmental Defense Fund as interveners, U.S. attorneys filed a complaint alleging that Reserve's discharge into Lake Superior violated sections of the Refuse Act of 1899, the Federal Water Pollution Control Act of 1970, and the common law of public nuisance. Reserve, for its part, confidently prepared its defense—confident because it had already won a minor court skirmish with the State of Minnesota. But in June 1973, less than two months before the federal case was to go to trial in the U.S. district court in Minneapolis, the central legal issue suddenly shifted from water pollution to public health. EPA had discovered asbestiform fibers in the water that a hundred thousand people were drinking daily in Duluth.

BABBITT, DUE SOUTH OF ELY and the sparkling lakes of the Boundary Waters Canoe Area, is billed in the local literature as "a new city in the wilderness." A brochure distributed by the Babbitt Area Business and Professional Association acknowledges that the town, incorporated in 1956, "doesn't have everything yet, but it does have the important ingredients for growth: youthful spirit and vigor!" Such expressions of boosterism lead one to wonder if the town might possibly have been named in honor of George F. Babbitt, antihero of the 1922 Sinclair Lewis novel, who extolled the virtues of the vigorous "regular guy" in his own zestful "Zip City." In fact, I put the question myself to a Reserve public relations man last summer, but he promptly dismissed the association as an ugly coincidence. The town, he said, is named after Kernal Babbitt, a New York State judge who drew up the papers for the original taconite mining company, which failed after five years in the business and two years after publication of Lewis' BABBITT.

One has to see Babbitt to believe it. I do not mean the town, which has hardly anything except housing for some 3,800 people, half of whom work for Reserve in order to support most of the other half. Driving slowly one can see all there is to see of the town in five minutes. What boggles the mind is the mine and the machines that are working there; and how the one called the Jet Piercer, screaming like a rocket, its burner head generating a 4,300-degree flame, spalls down through the naked rock; and the ammonium nitrate paste that is pumped into each 40-foot hole; and the sirens before the shot; and how, from a mile away in an August drizzle, you can see the sparks following the electric fuses across the top of the mining bench, and then the dust cloud that hovers 40 stories high over a half-million tons of shattered taconite. And next, the giant power shovels and trucks, and rocks the size of refrigerators pouring into the mouth of the gyratory crusher—the world's largest mortar and pestle—which reduces 3,500 tons per hour to eight-inch pieces. Then four-inch pieces. Grapefruits. And the locomotives going down the rails to Silver Bay, a departure about every three hours, 120 to 160 rail cars each trip out and each car filled with 85 gross-weight tons for the concentrating plant. And for the waters of Lake Superior.

The town of Silver Bay is much like the town of Babbitt, the only substantial difference being that Silver Bay enjoys a scenic view of Lake Superior, while Babbitt enjoys an airshed that is somewhat less clouded by gray taconite dust, occasional ammonium nitrate explosions nearby notwithstanding. Silver Bay sprawls across the slope of a hill above the lake and inland from the Reserve plant. A wide road winds up through aspen and birch from U.S. 61, and as you approach the development you are greeted by signs of welcome from the community's churches and service clubs. There is a shopping center with three gasoline stations, the Big Dollar, Kosy Korner Bakery, Fish's TV Appliances, Minnesota Power & Light, Rexall Drugs, the First Northwestern Bank, Skogmos, Montgomery Ward, a Laundromat, a bar, and a fast-order cafe called the Silver Platter, where rib-sticking fare is served up on roadhouse ceramic antique. The curvilinear streets are lined with postwar ranch-style homes. The lawns are trim and green. The birds are singing in the ornamental trees. The tykes are out on their trikes and bikes, and football players are in front of the high school, gulping huge lungfuls of air for the summer scrimmage. In short, the American Dream—as long as you keep your back to the launders, the green water, and the persistent smudge that lingers over U.S. 61 as it passes the pelletizing furnaces of Reserve Mining Company, the Minnesota corporation with headquarters in Cleveland and Middletown, Ohio.

The taconite grapefruits arriving by rail at Silver Bay contain 23.5 percent magnetite ore. The goal now is to increase that percentage by separating the magnetite from what Reserve prefers to call "unwanted" and "useless" minerals, such as cummingtonite-grunerite. The process begins uphill from U.S. 61 and progresses, generally by conveyor belt, down through a number of stages to the edge of the lake. In the first stage the grapefruits are fed through a dump hopper to a cone crusher system. The grapefruits are reduced to pecans. Next the pecans are

conveyed under the highway to the storage bins of the concentrator plant; and from the bins they are fed to a mill to be tumbled and ground by steel rods to the consistency of coarse sand. Still, each particle is only 23.5 percent magnetite. Then the coarse particles are conveyed to a magnetic separator, which discards a third of the "useless" minerals and sends the useful—now some 40 percent magnetite by volume—to a second milling system. In the second mill, steel balls in a rotating drum grind the particles even finer, to a flourlike consistency. And again magnetic separation, so that now the flour is more than 60 percent magnetite. Through all of this comes a constant voluminous flow of Lake Superior water, carrying off the useless unwanted minerals. But now the water is sucked away, and what remains is a jet black concentrate that is rolled again and again in another drum until the moist particles embrace each other and snowball into pellets. Small-bore musket balls. Finally, the musket balls are conveyed to the furnaces of the pelletizing plant, where they are baked six minutes for hardness and porosity at 2,400 degrees. *Voilà*. Who needs or wants to know more than that? Except for one thing: Where did all the useless unwanted minerals go?

Seriously. I mean here are brochures and throwaways prepared for visiting tourists and the press. They explain everything you ever wanted to know about taconite mining and processing except: Where did all the rest of it go? Here is a "photo clip sheet" kit from Reserve, detailing every conceivable step of the operation. But aside from the pellets, which are only a third of the volume, where did the rest of it go? And here is "Your Visit to Reserve," eight newsy pages in slick-paper duotone for "up to 2,000 visitors" who are said to stop each vacation day for a "detailed explanation of the process." Detailed it is, from how much Reserve pays in taxes to a functional chart of the whole complex process from crusher to furnace to ship. The cover of this booklet shows the full spread of Silver Bay—everything except the launders. Why were the launders cropped? If only the cover had been a few inches wider. And the functional chart? Beyond the furnace it ends with the explanation, "Plant discharge: two tons waste, one ton pellets." All right. We know about the pellets. But where does the rest of it go? The two tons, hell. The 67,000 tons daily. It is as if the useless unwanted minerals had somehow been vacuumed into the not-so-thin air of Silver Bay, which is something I am sure C. William Verity and his associates would like to pull off, if only there were some way to do it for free.

I was beyond the furnaces and the fantasies. I stood at the lip of a launder with my guide from Reserve. The tailings poured out across the delta to the lake. I asked a question.

"Aren't there any industrial uses for the tailings?"

"Lots," he said. "Get the water out of it, and you can use it for the foundations of highways, the manufacture of glass."

"Why not, then?"

He had been looking at the lake, at the gray-green water curling out across the rich blue roof of the Great Trough. Slowly he turned away. "Nobody could possibly use it all," he said. "There's just too much."

ON APRIL 20, 1974—after 139 days of trial, after hearing more than 100 witnesses, examining more than 1,600 exhibits, and reviewing nearly 20,000 pages of courtroom transcript—U.S. District Court Judge Miles W. Lord issued a terse thirteen-page memorandum. In his findings of fact he held that Reserve Mining Company's "discharge into the air substantially endangers the health of the people of Silver Bay and surrounding communities as far away as the eastern shore in Wisconsin," and that its discharge of asbestoslike fibers into the water likewise "endangers the health of the people who procure their drinking water from the western arm of Lake Superior." Judge Lord further found that testimony and representations by the chief executives of Armco and Republic, heard under oath that very day, and by the defense in general in seeking to place conditions on Reserve's abatement of the discharge (such as obtaining federal and state subsidies), were "unacceptable, preposterous, absurd, and shocking." Faced with the defendants' "intransigence," Judge Lord concluded, "the court must order an immediate curtailment of the discharge." At one minute after midnight on April 21st, Reserve's mills and magnets and drums and conveyors fell silent. The lips of the launders went dry. Yet within 48 hours, on the evening of the fourth anniversary of Earth Day, an emergency panel of three judges from the U.S. Court of Appeals for the Eighth Circuit granted Reserve's attorneys a stay of Judge Lord's injunction. So once more the tailings poured down the launders at Silver Bay.

In staying the injunction until the merits of the case could be heard and decided by the full appellate court, the circuit judges found that the plaintiffs had failed to prove a demonstrable health hazard; that the assumption of such a hazard was based solely on medical hypothesis and was, therefore, "simply beyond proof." In other words, asbestoslike fibers might be a murder weapon, but show us the bodies. Moreover, the panel held that Judge Lord's resolution of a reasonable doubt in favor of public health might better have been left to a legislative body. And with the implication that Judge Lord had somehow ruled inequitably in "balancing the health and environmental demands of society at large against the economic well-being of those parties and communities immediately affected," the panel went on to quote from an opinion once rendered by Chief Justice Warren Burger of the U.S. Supreme Court, when he was sitting as a circuit judge:

"Our society and its governmental instrumentalities, having been less than alert to the needs of our environment for generations, have now taken protective steps. These developments, however praiseworthy, should not lead courts to exercise equitable powers loosely or casually whenever a claim of 'environmental damage' is asserted. The world must go on and new environmental legislation must be carefully meshed with more traditional patterns of federal regulation."

The panel further noted its somewhat magnanimous belief that "there are neither heroes nor villains among the present participants in this lawsuit." But it did condition its stay on Reserve's "good faith" in taking "prompt steps" to abate the discharge and move its disposal of tailings to an acceptable on-land site. Exactly what constitutes

prompt steps in the eyes of the Eighth Circuit Court was not made clear. After ten months and with what seems to be an indefinite stay to keep its launders open, Reserve is still playing pin the tailings on the donkey.

WHEN AND IF IT IS EVER FINISHED, the United States of America vs. Reserve Mining Company—or 5-72 Civil 19 as it is known to the file clerks of the U.S. District Court at Minneapolis—may well enter the record books as the longest and most complex environmental litigation since *Society*, as Mr. Justice Burger put it, began taking "protective steps." Motions, briefs, opinions, applications, remands, and appeals have been filed and cross-filed, some all the way from Judge Lord's chambers through the Eighth Circuit Court of Appeals to the U.S. Supreme Court and back again. If it were possible to collect all the original documents, and each mimeographed copy thereof, I would not be surprised to see the accumulation filling two dozen of those 85-gross-ton ore cars that run from the mine at Babbitt to the plant at Silver Bay. Then Reserve could dump the entire record, and its own persiflage, into the lake as well. For despite the present lack of injunctive relief from the company's offal, and the appellate court's skepticism on the question of endangered public health, it was not the government and environmentalists that emerged battered from their 139 days in court. It was Reserve, which had sought to project for itself and its Ohio profit centers an image as the undisputed Mister Clean of Lake Superior, but which came away instead as a corporate wastrel with failing grades in almost everything from ethics to mineralogy.

Reserve had contended from the beginning, for example, that cummingtonite-grunerite entered the lake from a number of natural sources; indeed, that it was present in the waters of some 60 tributaries feeding the lake. Yet the plaintiffs also sampled sediments from streams, including those between Silver Bay and Duluth, and in only one of more than 50, the Montreal River, was cummingtonite-grunerite found by X-ray diffraction. Of the Reserve analysis, Judge Lord noted in a memorandum supplementing his shutdown order of April 20th: "When exposed to extensive cross-examination . . . it became clear that the [Reserve] criteria used for identifying cummingtonite-grunerite in this study [were] highly subjective, with bias entering into the determination." Moreover, Judge Lord pointed out, the government's finding was consistent with testimony that cummingtonite-grunerite is *not* present in core samples of lake-bottom sediments predating the start of Reserve's operations.

It was also Reserve's contention that virtually all of its tailings, rather than sweeping out into the lake, settled safely to the bottom of the Great Trough, at depths of from 600 to 900 feet. The force of gravity, said Reserve's witnesses, simply pulls the heavier fluid downward from

the delta. A "density current," they called it. Yet the court found that the density current is broken up by thermoclines, which peel off layers of tailings; and that vertical turbulence and deep mixing spread those tailings around the entire western arm of Lake Superior, not to mention Duluth's municipal water supply. Samples of that supply, taken from the Lakewood Pumping Station during the years 1939-40, 1949-50, and 1964-65 and preserved in vials, showed no traces of cumingtonite-grunerite for the first two periods (before Reserve came to Silver Bay), but did show positive traces for the latter. Reserve then claimed that cumingtonite-grunerite undoubtedly had been present in the older samples, but unfortunately had dissolved over the years.

All this was merely prelude to the two main events—the question of asbestos and public health, and the feasibility of shifting the disposal of tailings to an on-land site.

In defending itself on the health count, Reserve contended that the level of exposure to people inhaling or ingesting fibers from its discharge was not sufficient to pose a hazard; therefore, no health problem could logically be associated with the discharge. To support such a claim Reserve fielded its own medical and scientific witnesses. But later in the trial it embraced the testimony of Dr. Arnold Brown, chairman of the department of pathology and anatomy at the Mayo Clinic and Judge Miles Lord's own court-appointed impartial expert witness. It was Dr. Brown's belief, for example, that asbestos fibers are present in the lungs of most urban adults throughout the country, and that such fibers have been detected as well in beer, wine, and ginger ale. There was no evidence at present, Dr. Brown testified,

that any increased incidence of cancer at Silver Bay or Duluth could be attributed to asbestos fibers in the air or water; in fact, it was impossible to predict an increased incidence of cancer simply by virtue of the presence of the fibers in the air or water. Still, Dr. Brown's testimony did not altogether please the attorneys for Reserve, for he concluded: "The fibers should not be present in the drinking water of the people of the North Shore . . . [The] presence of a known human carcinogen [and here he was speaking of fibers in the air] . . . is in my view a cause for concern, and if there are means for removing the human carcinogen from the environment, that should be done."

For its part, the government relied heavily on the testimony of Dr. Irving J. Selikoff, director of the Environmental Sciences Laboratory at the Mount Sinai School of Medicine in New York. Dr. Selikoff said he had conducted epidemiological studies of four separate groups of factory workers exposed to asbestos. Three of these groups, numbering in aggregate more than 14,000 individuals, showed an excessive rate of death from lung cancer, pleural and peritoneal mesothelioma, asbestosis, and cancer of the stomach, colon, and rectum over that projected for these diseases and the population as a whole by the U.S. National Office of Vital Statistics. The deaths did not occur until twenty years or more after the first exposure; and in each group the incidence of cancer was three times greater than expected. Dr. Selikoff further testified that a distinct public health hazard was posed by the presence of amphibole fibers, morphologically consistent with amosite asbestos, in the Duluth water supply. Amphibole levels in the ambient air at Silver Bay, he added, were ten times greater

than those measured near insulation spraying sites in New York City, where there is now a ban on asbestos spraying.

The Selikoff testimony was supported by a number of other government witnesses. Dr. Thomas J. Mason, a statistician with the National Cancer Institute, reported that he had examined cancer mortality statistics for Duluth for the period 1965-69 and had found 54 "excess" deaths as compared to the rate for the state of Minnesota. He also testified that rates for cancer of the rectum were increasing in Duluth while national rates have been declining. Although Dr. Mason could not state unequivocally that excess cancer deaths in Duluth were caused specifically by amphibole fibers, neither could he conclude "that there is no risk to the population [of Duluth] . . . as a function of their exposure to water-borne asbestos particles." Dr. William J. Nicholson, biophysicist and associate of Dr. Selikoff at Mount Sinai, added: "If we wait until we see the bodies in the street, we would then be certain that there would be another 30 or 40 years of mortality experience that would be before us. To wait for deaths would in fact be, from public health considerations, irresponsible."

AS THE TRIAL PLODGED ON in U.S. District Court, the central argument soon shifted to whether Reserve could come up with an alternate disposal system that would be acceptable to the government. Reserve maintained there was only one feasible alternative—a deep-water plan whereby the tailings would be pumped through pipes directly to the Great Trough. Day after day of testimony was heard as Reserve witnesses and attorneys sought to assure the court of the plan's environmental safeguards, such as the addition to the tailings of some 12,000 pounds per day of polymers to hasten settling on the bottom. The government promptly devalued that dividend by demonstrating that among the basic building blocks of one of the polymers Reserve proposed to use is a known mutagen and carcinogen called ethyleneimine.

The impracticability of the deep-water plan apparently was also known at the time by Reserve executives, even as they continued to hail it in court as the only alternative. As Judge Lord reconstructed it in his supplemental memorandum: "Notwithstanding [Reserve Vice-President Kenneth M.] Haley's denials under oath, there was a plan in existence which provided for total on-land disposal of tailings . . . Records provided during the testimony showed that the deep-pipe system presented by Mr. Haley to this court had in fact been rejected by Mr. Haley's task force in 1972." Clearly annoyed by such "misrepresentations," Judge Lord found the defendants had acted in "bad faith" by withholding documents "in violation of plaintiffs' discovery requests and this court's order."

Then began what Judge Lord was later to describe as "the corporate shell game." The on-land disposal plan that had been discovered in Reserve's files proposed that the Palisade Creek Valley, some 1.2 miles inland from the lake and just across a low ridge from Silver Bay, be converted into a vast tailings basin contained by a series of dams. From one configuration advanced by Reserve, it appeared that the main dam would be twice as long and as high as the Grand Coulee. What the Reserve planners had failed

to take into account (or, as some cynics have it, what they *did* take into account with malice aforethought) was the Minnesota Department of Natural Resources' interest in this same valley, which had not only been identified in the early 1960s as a potential park site, but as one of the seven most attractive of some 700 sites considered. Moreover, as Judge Lord noted subsequently in his response to the appellate court's order of remand, it became evident that Reserve's plan for the Palisade Valley "was being fashioned before the court's very eyes." In effect, Judge Lord found that Reserve's plan was "conceptual at best," in that no tests had been conducted to determine the stability of dam construction material, that there had been no test drillings or detailed geological surveys of the area, and that Reserve, by its own admission, "had done nothing more than eyeball the area to determine whether the tailings would be visible from Highway 61." Later the judge toured the area himself, on foot, scrambling across rock ledges to view the valley's lush forest of aspen and birch and fir, and the creek winding past beaver-built pools to the shining waters of Lake Superior. Having seen it, the judge wrote:

"The Palisades area provides a place upon which to roam, to be free, to enjoy the opulence of the scenic wonders that have been provided by nature. This court cannot allow the present greed of a few to deny priceless treasures to many. It cannot allow the immediate problems of some to cheat others of their environmental birthright."

As Reserve defined them, the immediate problems were of course economic. And with the Palisades plan about to be shot down by a hang-tough judge, Reserve was now forced to consider other alternatives that for one reason or another were unattractive to the firm—alternatives such as the International Engineering Company's design for a new concentrator plant at the mine site in Babbitt, with on-land disposal nearby and only the pelletizing and ship-loading functions remaining at the end of the rail line in Silver Bay. The relocation, according to International's figures, would cost Reserve \$188.7 million in capital expenditures. Reserve promptly factored this estimate up to \$391.2 million, a figure the government termed "outrageously high" in view of cost estimates announced by two other taconite processors planning new facilities at Hibbing and Virginia, Minnesota.

The fiscal laments of Reserve were further discredited by the testimony of economist R. Glenn Berryman, who calculated that rather than sapping Reserve's economic vitality, the International plan would in fact result in increased profitability. Using figures supplied by Reserve, Berryman computed the company's average income after taxes for the years 1970-72 at \$18 million annually, its income per ton of ore shipped at \$1.88, and its rate of return (to Arco and Republic) on assets at 8.27 percent. Next, Berryman made a forecast of Reserve's potential profitability based on certain assumptions, including capital expenditures of about \$188 million for on-land disposal and concentrating at Babbitt, increased operating costs as a result thereof, but a decrease in other operating costs as a result of product improvement. (With up-to-date equipment installed in a new concentrator plant, product improvement would come through a reduction in the silica

content of the concentrate, a subsequent reduction in the overall cost of blast furnace fuel and maintenance, and enhancement of the iron content—not to mention the market value—of the finished pellets.) With these assumptions, Berryman came up with a forecasted profitability for the years 1973–75 that could result in an average annual after-tax income of \$31.7 million, an average income per ton shipped of \$3.17, and an average rate of return on assets of 9.68 percent. Even without product improvement, Berryman testified, Reserve could make the move to Babbitt and still pass on a profit to its parent corporations. But of course Reserve does not want to move anything to Babbitt, or anywhere else for that matter. Why should it, with tight money and inflation clouding such forecasts as Berryman's, and when, by most accounts, it has already saved more than \$50 million by allowing gravity and a lake to dispose of its tailings?

So the shell game continues. In one of the most recent moves, Reserve (with some encouragement from the Eighth Circuit Court of Appeals) offered yet another on-land disposal plan, this time for Mile Post 7, seven miles up the rail line from Silver Bay, near Lax Lake. Judge Lord characterized the proposal as "shabby and hollow." And once again from Reserve came ominous hints that if it cannot have its way, that if it must abate the discharge on anyone's terms other than its own, then perhaps it might pick up its marbles and go home to Middletown, leaving its 3,200 workers to the vicissitudes of unemployment and public assistance. In response to earlier threats, Judge Lord had written:

"Defendants are using the work force at Reserve's plants as hostages. In order to free the work force of Reserve, the court must permit the continued exposure of known human carcinogens to the citizens of Duluth and other North Shore communities. The court will have no part of this form of economic blackmail."

On October 11, 1974, the U.S. Supreme Court—Justice William O. Douglas dissenting—denied without prejudice the government's application for an order vacating the stay granted Reserve by the Eighth Circuit Court of Appeals. Justice Douglas noted in his dissent that the Court of Appeals' position seemed to hold that "maximizing profits" was the measure of the public good, and he added:

"If . . . there is doubt, it should be resolved in favor of humanity, lest in the end our judicial system be part and parcel of a regime that makes people . . . the victims of the great god progress . . . Our guiding principle should be Mr. Justice Holmes' dictum that our waterways, great and small, are treasures, not garbage dumps or cesspools."

BEN BOO IS THE MAYOR of Duluth. He is a friendly, accessible man, an able administrator, and a shrewd politician. From the windows of his city hall office you can look down to the waterfront of what has become, since completion of the St. Lawrence Seaway, one of the busiest ports in North America. The day I was there the harbor was crowded with ships, the docks and storage facilities brimming with lumber and grain. And iron ore. Duluth is filled with magnificent old houses and hard-working people. It is a fine city; and as far as I can tell,

Ben Boo is a fine mayor who doesn't run scared. We talked about water, the kind you drink.

Mayor Boo said 1973 had been some year, all right, beginning with the EPA discovery of asbestiform fibers in the city's water supply right at the start of the tourist season. "It hurt us some, the publicity," he said. "But the people here were wonderful. No one panicked. I guess a lot of them had the feeling it would go away." Despite the prevailing optimistic mood of his constituents, Boo wasted no time. He immediately retained a firm of consultants to make preliminary studies for a filtration system at the Lakewood Pumping Station; asked for and received pledges of federal aid; put the state's Civil Defense people on standby with tank trucks to provide 600,000 gallons of well water daily, if such action were deemed necessary; arranged, through the U.S. Army Corps of Engineers, for the installation of portable water filters in public places; and demanded in no uncertain terms that the Reserve Mining Company halt its discharge into the waters of Lake Superior. Later the City of Duluth moved to intervene as a party plaintiff in the case being tried by Judge Lord, much to the chagrin of the Duluth Area Chamber of Commerce, which had already thrown in its lot with the other side. And so it went, through the summer and into the winter and on to the spring of 1974, to the morning of April 23rd to be exact, when the people of Duluth awoke to some reassuring news. The Eighth Circuit Court of Appeals had reversed Judge Lord on the health issue, and faster than you can say cumingtonite-grunerite, in many people's minds all those amphibole fibers were thereby and forever rendered harmless. In August the Army Corps of Engineers notified the mayor that they would no longer provide and install the portable filters as a public service. Why not? Because, according to the Corps' inverted logic, it had been proved that there was no health hazard (which is not quite the same as a health hazard not being proved).

"They weren't too successful anyway," said Ben Boo of the filters. "They needed a lot of maintenance. They were gradually plugging up."

"With asbestos?"

"With whatever came with the water."

"But what about the Selikoff testimony?"

"Scare stories," said the mayor.

"So you are not terribly concerned about the health issue."

"Oh, we'll still go ahead with the filtration system at the pumping station."

"Then you are concerned."

"No," said Ben Boo. "I am not."

The Pickwick Restaurant on Superior Street in downtown Duluth features fresh lake trout and a splendid view of the harbor. You enter through a door with a sign that reads, "Filtered Water." The filter itself, one of those installed by the Corps of Engineers, is located under and attached to the water tap where the waitresses fill glasses on their way from the kitchen to the room with a view. The filter is a 12-inch jar packed tightly with thin shafts like pipe cleaners—your Mæinot Line against a mouthful of amphibole fibers. To partake of asbestos-free water, of course, a resident of Duluth does not have to go out on the town every night. Ben Boo has made filtered water

available at the city's firehouses, and WDIO-TV, the local broadcasting station, generously shares its copious hilltop well with the populace, which carries away about 45,000 gallons each month. Not much, considering that Duluth's total consumption is 15 million gallons a day. Still, the WDIO water is there for anyone who wants it; and those who do, if you bother to ask their opinion, are more than happy to express themselves on the current distressing situation. Said one elderly man emerging from the wellshed with a plastic jug in each hand, "How come I have to pay for sewage disposal and everyone I know has to pay for sewage disposal and that outfit up the lake, that Reserve, gets it for nothing? How come is what I'd like to know."

And at the bar of the Pickwick sat a man who for 28 years worked as a brakeman on trains hauling ore from Mesabi. He is retired. I found this out after I mentioned the filtered water. Then he began to speak of Lake Superior. "I love that lake," he said. "I fish it a lot, but mostly just look at it. In the war it was good to be from Minnesota because Minnesota was part of this lake. And you could be proud because all your buddies knew that this was where the fresh air and clean water was. But now these sons-of-bitches in Cleveland and Dayton..."

"Middletown," I said.

"And Middletown—all the way down in Ohio, can you believe it?—are pouring their crap into this lake. And they're killing it." Having said that, the man who loves Lake Superior slammed his fist on the bar and stalked out through the door, the one with the sign that reads, "Filtered Water."

I stalked out, too. In the morning I drove out along the U.S. 61, past the Lakewood Pumping Station. The pump house, I understand, is finally to be retrofitted with a filtration system; and the project possibly may be completed in time for a Bicentennial Year christening. Possibly,

but not probably, because Ben Boo is haggling with the United States of America, the State of Minnesota, and the Reserve Mining Company over the delicate question of who will help him pick up the \$6 million tab.

And then I was talking with Dr. Donald Mount, a biologist and director of EPA's National Water Quality Laboratory, not far from the pump house off Highway 61. "Every liter of water coming into Duluth right now contains about 35 million asbestiform fibers," Mount was saying. "I can't understand how we can treat so many people as if they were laboratory animals."

A FEW MILES NORTHEAST of Silver Bay, the pink porphyritic ledges of Palisade Head rise 350 feet above the lake. Legend has it that Chippewa braves, from their canoes below, made great sport attempting to shoot arrows to the top of the cliff. Very few succeeded; and it is said that occasionally a brave or two perished in the attempt, for what goes up and misses must inevitably and swiftly come back down again. Gravity is not only cheap, it is ruthless.

Behind the cliff, Palisade Head rises another hundred feet or so to a small windswept dome covered with stunted mountain ash and Juneberries. Standing there, and turning counterclockwise, one can enjoy a most unusual view: the distant shores of Wisconsin straight ahead at high noon; the lake spreading out as if there were no end to it; the spruces at nine o'clock, leaning over the water at Baptism River State Park; then the deep forested hills at six; and finally, at three, the shoreline running raggedly back to the institutional sprawl at Silver Bay. And there it is. The gray in the sky and the green in the water, and the silicate fibers without end or beginning flowing on to Duluth. *O, Veritas. O, Verity. Requiescat in cummingtonite-grunerite.*

And good-bye, Superior.

